

ANNUAL REPORT 2011 - 2012

What you dream...



*We compound
into reality.*



Kalpena Industries Limited

An ISO 9001 Company

Inspiring Us



*Late Sh. D.C. Surana
(1934-2012)*

*We live by your values.
Honesty, Generosity, Compassion and Selflessness.*

PRODUCT RANGE

PVC Compounds

- Insulation
- Sheathing

PE Compounds

- Silane Grafted XLPE Compound upto 1.1.KV(LT / LTABC / FR / SELF CURE / MV)
- Silane Grafted XLPE Compound for MV upto 35 KV
- XLPE Compounds for continuous Vulcanization Line upto 35 KV
- Zero Halogen FRLS Compounds
- Semi- Conductive Compounds

Filled Compound & Master Batches

- Calcium Carbonated / Talc filled in PE and PP

Colour and Speciality Master Batches-

UV, Antioxidant Processing Aid Optical Brightner, Lubricant

Footware Compound

- PVC Compact & Micro cellular
- TPR Glossy, Matt, Semi – matt Transparent & colour
- PVC / NBR Compact & Micro-cellular
- EVA Cross linked Foam

Pipe Compounds

- PEX
- PVC
- PPR

Engineering Plastics

- Nylon – Glass & Mineral filled
- PP, PBT – Glass & Mineral filled

We service customer in :-

Algeria, Argentina, Brazil, Bangladesh, Croatia, Egypt, Saudi Arabia, South Africa, Srilanka, India, Nepal, Oman, Portugal, UAE





Corporate Information

Board of Directors

(As on 24th August, 2012)

Chairman and Managing Director

Mr. Narrindra Suranna

Whole-Time-Directors

Mr. Rajesh Kumar Kothari

Mr. Indranil Dasgupta

Non- Executive Directors

Mr. Nirmalendu Guha

Dr. Rupak Dasgupta

Mr. Nilay Guha

Senior President

Mr. Jitendra Tiwari

Chief Financial Officer

Mr. I. C. Dakalia

Company Secretary

Mr. A.B.Chakrabartty

Auditors

M/s D. C. Dharewa & Co.

Chartered Accountants

Bankers

Dena bank

State Bank of India

Standard Chartered Bank

HSBC Bank

HDFC Bank

INDUSIND BANK

Plant Location

Dullagargh, Santragachi (W.B.)

Bhasa, Diamond Harbour Road (W.B.)

Falta SEZ, (W.B.)

Daman (Union Territory)

Dadra I & II (Union Territory)

Biwadi, Delhi

Registered Office

2B, Pretoria Street,

Kolkata – 700 071

Tel: 91 – 33- 2282 3744 / 3745

Fax: 91 – 33 – 2282 3739

E mail : kolkata@kalpena.co.in

www.kapenagroup.com

E-Mail : rta@cbmsl.com

Registrar & Share Transfer Agent

M/s. C B Management Services (P) Ltd.

(Unit Kalpena Industries Ltd),

P-22, Bondel Road,

Kolkata – 700 019

Tel: 91 – 33 – 2280 6692/93/94/2486/4011 6700

Fax : 033 2287 0263

Contents

Chairman's Message	3
Five years at a glance	4
Notice	5
Directors' Report	13
Management Discussion & Analysis	20
Report on Corporate Governance	24

Auditors' Report	39
Balance Sheet	42
Profit & Loss Account	43
Cash Flow Statement	44
Notes to the Financial Statements	46



Board of Directors

Narrindra Suranna

Mr. Narrindra Suranna, aged around 50 years, is a B.Com (Hons.), and L.L.B from Calcutta University. He also has done his MBA from Harvard University (correspondence course). Currently, he is holding the position of Chairman & Managing Director of the Company. He has got wide experience in Plastic Industry. Due to his able leadership the Company has reached its present height.

Nirmalendu Guha

Mr. N.Guha, aged about 79 years, an engineer by profession, has been associated with the Company in the capacity of Independent Director and Chairman of Audit Committee of the Board. Mr. Guha has received his engineering degree from India and UK. His qualification include M.Tech (P.Eng & Mgt.),C.Eng, FIE (India),FI Plant E (UK), Hon FIFE, MMFI. Mr. Guha has wide experience in the Corporate world and has held distinguished positions in prestigious companies. He has remained Vice – Chairman and Managing Director of IFB Agro Industries and Chief Executive – MD and CM of Tea Trading Corporation of India.

Rupak Dasgupta

Dr. R. Dasgupta, aged about 68 years, has been associated with the Company since 2003 as an Independent Director. He has done his M.Sc. form Jadavpur University and PhD from Calcutta University. He has held senior positions in Plastic and Polymer Industries and possesses more than 39 years of experience in the corporate arena.

Rajesh Kumar Kothari

Mr. Kothari, aged about 48 years, a Graduate (B.Com) from Rajasthan University, Ajmer, has more than 25 years of experience in the areas of marketing, after sale service and market research. He started his career in the year 1985 at Kanoria Chemicals & Industries Limited. He has been associated with Kapena since 1997.

Indranil Dasgupta

Mr. Indranil Dasgupta, aged about 44 Years, is a Graduate and has also done Bachelor of Engineering in Chemical Engineering from Jadavpur University, Kolkata. He has over 20years of experience in Corporate Finance, Advisory Services and General Management. He started his career as an Executive Trainee in Hindustan Lever Ltd in the year 1991 -92. In the year 2006 he worked as Managing Director (Indian Operation) in IDIADA Automotive Technology S.A, of Spain. He is also associated with SREI Group as an Independent Director

Nilay Guha

Mr. Nilay Guha, aged about 48 Years, is a MBA and presently working as a Managing Director with Markem-Imaje Australia Pty Ltd. He has over 20 years of Experience in Sales and Marketing. He started his career in ICI India Limited in the year 1992 -96.

Chairman's Message



Dear Shareholders,

Warm greetings to you all;

It gives me immense pleasure to welcome you all to the 27th Annual General Meeting of your Company.

It is with great sadness I share with you the news of the sudden demise of Shri D.C.Surana, the Chairman of your Company, on 14th January, 2012. Late Shri D.C.Surana was the founder of Kalpena Industries Limited. His tireless contribution and commitment to your Company will be cherished for years to come. Let us all pray to God for resting of the departed soul in eternal peace.

Now coming over to the performance of your Company, It is a privileged event for me to report a very satisfying journey of your Company for the fiscal year 2011-12. I am glad to take this opportunity to share with you the inspired endeavours of your Company.

The fiscal year 2011-12 was the year of challenges with the fear of recession, volatility in exchange rates and constant fluctuations in the prices of raw material. The market had to face tough competition from national and regional players resulting in the manufacturers facing steep rise in the cost of production.

The products of your Company find application mainly in Cable industries, Packaging industries and Footwear industries. These industries had done fairly well in 2011-12 and, consequently, it positively impacted the top line of your Company. However, the growth prospects for 2012-13 remain muted with growth petering out in the Euro area and moderating in the emerging markets. A much better than expected recovery is shaping up in the US. The baseline scenario suggests that global growth may continue to be low in 2012.

However, your Company continues to march ahead in its vision to be the leading manufacturer of Polymer compounds in the country. You will be glad to know that your Company is in the process of setting up a Flexible Packaging Project at Dankuni (West Bengal). This is a step towards diversification. The total project cost is estimated at Rs.120 crore. The facilities are expected to be commissioned progressively in between January and December 2013.

In its drive towards the strategic expansions, your Company is in the process of commissioning a new production unit at Surangi, Silvassa, with capacity of handling 200,000 TPA of its products. This unit is spread

over an area of approximately 56000 square metres and is expected to having FSI available to the extent of 500,000 square metres of construction. Once the project is completed, the production capacity at Bhiwadi, Daman and Silvassa will be shifted to the new unit. The full capacity utilization is expected between December 2013 and June 2014. The new unit will produce various grades of Compounds which include XLPE, HFFR, Filled PP for furniture & appliances, Filled PE Compounds for antifab used for Woven Sack, White & Black Master Batches, Rigid and Flexible PVC Compound used for Cable insulation, Footwear & Pipe jointing and other value added compositions like Zero Halogen Fire Retardant Compound and Engineering Plastics. Your Company also has more expansion projects in pipeline for catering to the untapped regions to enlarge geographic footprint in various parts of the country.

Today, your Company has one of the strongest operating matrix in the Plastic industry in India. With its cost competitiveness, quality products, a robust marketing distribution system and extensive network, your Company has reinforced its formidable brand position. Your Company has taken well timed and adequate steps in the area of its financials to ensure healthy leveraging and availability of adequate financial resources to meet its ever growing aspirations.

I am very happy to announce that your Directors have recommended a dividend of 22% for 2011-12 on paid up capital. This is at the same level of the Dividend paid by your Company in the previous year.

Lastly, I sincerely wish to thank my colleagues on the Board, the dedicated Management team and employees at all levels for their unflinching support. I would also like to thank the Company's shareholders, distributors, vendors and financial institutions for their unstinted support.

With Best Regards,

Narindra Suranna

Chairman & Managing Director

Date 24th August, 2012

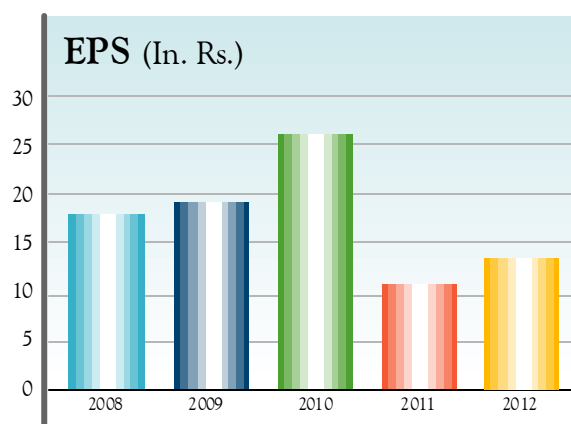
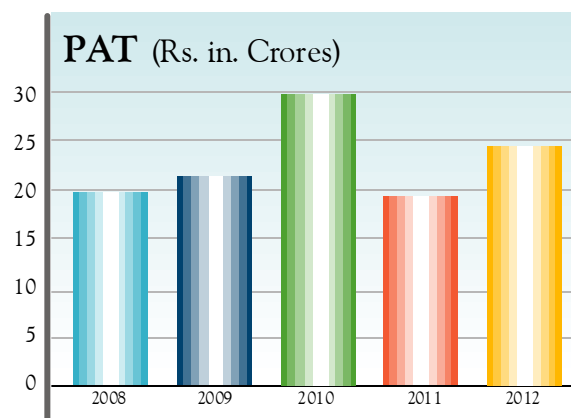
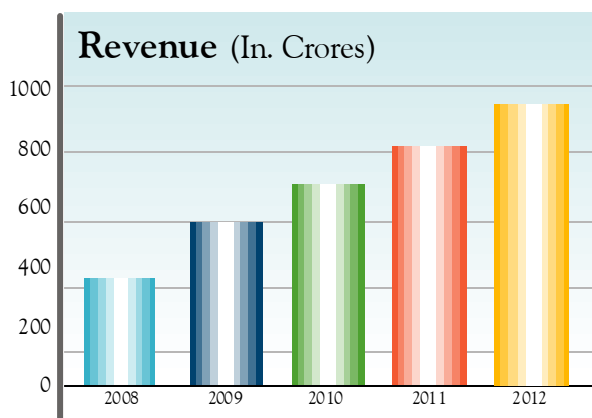
Vision

*Vision without action is just a dream;
Action without vision merely passes the time;
Vision with action can change the world.*



Five Years at a Glance

Rs. In Crores:	2008	2009	2010	2011	2012
Net Revenue	454.48	604.11	724.41	847.58	913.23
PAT	20.87	21.85	29.90	19.13	24.24
EPS (Rs.)	18.06	18.91	25.88	11.71	12.99
Net Worth	52.43	71.58	108.04	178.15	197.58
Dividend (%)	20%	20%	22%	22%	22%



NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the 27th (Twenty-Seventh) Annual General Meeting of the Members of KALPENA INDUSTRIES LIMITED will be held at Gyan Manch, 11, Pretoria Street, Kolkata – 700 071 on Friday, the 28th day of September, 2012, at 02.30 P.M. to transact the following Business:

ORDINARY BUSINESS:

1. To receive, consider and adopt the Audited Balance Sheet as at 31st March, 2012, the Statement of Profit & Loss Account for the year ended as on that date and the Report of the Directors and Auditors thereon.
2. To declare dividend on equity shares for the financial year ended 31st March, 2012.
3. To appoint a Director in place of Dr. R.Dasgupta, who retires by rotation and being eligible, offers himself for reappointment.
4. To appoint auditors to fix their remuneration.

SPECIAL BUSINESS:

5. To consider, and if thought fit, to pass, with or without modification(s), the following resolution as an **Ordinary Resolution**:

“**RESOLVED THAT** in accordance with the provisions of Section 255, 256 and 257 and all other applicable provisions, if any, of the Companies Act, 1956 or any statutory modification(s) or reenactment thereof, Mr. Nilay Guha, who was co-opted as an Additional Director of the Company under provisions of Section 260 of the Companies Act, 1956 and Article 103 of the Articles of Association of the Company, be and is hereby appointed as a Director of the Company, whose period of office shall be liable to determination by retirement of directors by rotation.”

6. To consider, and if thought fit, to pass, with or without modification(s), the following resolution as an **Ordinary Resolution**:

“**RESOLVED THAT** in accordance with the provisions of Section 198, 269, 309 and 310 and other applicable provisions if any, of the Companies Act, 1956 (the Act), read with Schedule XIII to the Act, including any statutory modification(s) or reenactment thereof, for the time being in force, and all other applicable guidelines relating to managerial remuneration issued by the Ministry of Corporate Affairs, from time to time, or any other law and subject to such other approvals, as may be necessary, and as are agreed to by the Board of Directors (hereinafter referred to as the “Board”, which term shall be deemed to include any committee thereof and any person authorized by the Board in this behalf), and as per the provisions of Articles of Association of the Company, approval of the members be and is hereby accorded to the reappointment of Mr. Narrindra Suranna as Managing Director of the Company, for a further period of 5 (Five) years with effect from 01st August, 2012, on the terms and conditions, including the remuneration and perquisites payable to him as Managing Director and the minimum remuneration payable to him in case of absence or inadequacy of profits in any year, as set out in the Draft Agreement between the Company and the said Mr. Narrindra Suranna produced at this meeting and, for the purpose of identification, initialed by the Chairman hereof.”

“**RESOLVED FURTHER THAT** the Board of Directors of the Company (hereinafter referred to as the “Board”, which term shall be deemed to include any Committee thereof and any person authorized by the Board in this behalf) shall, in accordance with the statutory limits/ approvals as may be applicable for the time being in force, be at full liberty to revise/alter/modify/amend/change the terms and conditions of the appointment and remuneration, from time to time, as may be agreed to by the Board and Mr. Narrindra Suranna.”

“**RESOLVED FURTHER THAT** the Board be and is hereby authorized to do all acts and take all such steps as may be necessary, proper or expedient to give effect to this resolution.”

7. To consider, and if thought fit, to pass, with or without modification(s), the following resolution as an **Ordinary Resolution**:

"RESOLVED THAT in accordance with the provisions of Section 198,269,309 and 310 and other applicable provisions if any, of the Companies Act, 1956 (the Act), read with Schedule XIII to the Act, including any statutory modification(s) or reenactment thereof, for the time being in force, and all other applicable guidelines relating to managerial remuneration issued by the Ministry of Corporate Affairs, from time to time, or any other law and subject to such other approvals, as may be necessary, and as are agreed to by the Board of Directors (hereinafter referred to as the "Board", which term shall be deemed to include any committee thereof and any person authorized by the Board in this behalf), and as per the provisions of Articles of Association of the Company, consent of the members be and is hereby accorded to the appointment of Mr. Indranil Dasgupta as Whole-Time-Director of the Company, for a period of 3 (Three) years with effect from 11th February, 2012, upon the terms and conditions as are set out in the Explanatory Statement annexed hereto."

"RESOLVED FURTHER THAT the Board of Directors of the Company (hereinafter referred to as the "Board", which term shall be deemed to include any Committee thereof and any person authorized by the Board in this behalf) shall, in accordance with the statutory limits/ approvals as may be applicable for the time being in force, be at full liberty to revise/alter/modify/amend/change the terms and conditions of the appointment and remuneration, from time to time, as may be agreed to by the Board and Mr. Indranil Dasgupta."

"RESOLVED FURTHER THAT the Board be and is hereby authorized to do all acts and take all such steps as may be necessary, proper or expedient to give effect to this resolution."

By Order of the Board of Directors

Registered Office:
2B, Pretoria Street,
Kolkata-700071

Date: 24th August, 2012
Place: Kolkata

A.B.Chakrabartty
Company Secretary

NOTES

- 1) A MEMBER ENTITLED TO ATTEND AND VOTE AT THE ANNUAL GENERAL MEETING (THE "MEETING") IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE ON A POLL INSTEAD OF HIMSELF / HERSELF AND THE PROXY NEED NOT TO BE A MEMBER OF THE COMPANY. A PROXY SHALL NOT HAVE ANY RIGHT TO SPEAK AT THE MEETING. THE INSTRUMENT APPOINTING PROXY SHOULD, HOWEVER, BE DEPOSITED AT THE REGISTERED OFFICE OF THE COMPANY NOT LESS THEN FORTY-EIGHT HOURS BEFORE THE COMMENCEMENT OF MEETING. THE PROXY FORM IS APPENDED WITH THE ADMISSION SLIP.
- 2) Corporate members intending to send their authorized representatives to attend the Meeting are requested to send to the Company a certified copy of the Board Resolution authorizing their representative to attend and vote, on their behalf, at the Meeting.

- 3) The Register of Members and the Share Transfer Books of the Company shall remain closed from Friday, 21st September, 2012 to Friday, 28th September, 2012 (both days inclusive).
- 4) The dividend, as recommended by the Board of Directors, if declared at the Annual General Meeting, will be credited / dispatched between 3rd October, 2012 and 23rd October, 2012 to those members or to their mandates :-
 - a. whose names appear as Beneficial Owners as at the end of the business hours on 20th September, 2012 in the statements of beneficial ownership furnished by National Securities Depository Limited (NSDL) and Central Depository Services (India) Limited (CDSL), in respect of the shares held in electronic form; and
 - b. whose names appear as Members in the Register of Members of the Company, after giving effect to all valid share transfers in physical form lodged with the company / its Registrars & Share Transfer Agents on or before 20th September, 2012.
- 5) Securities and Exchange Board of India has made it mandatory for all companies to use bank account details furnished by the depositories for depositing dividend through National Clearing Service (NECS) to investors wherever NECS and bank details are available. In absence of NECS facilities, the company will print the bank account details, if available, on the payment instrument for distribution of dividend.
- 6) Members, holding shares in physical mode are requested to notify the change in their address / mandate/ bank account to M/s. CB Management Services (P) Limited, P-22, Bondel Road, Kolkata – 700 019, the Registrar & Share Transfer Agent of the Company.
- 7) Members, holding Shares in Demat mode are requested to notify the change in their address / bank account details to their respective Depository Participant(s) (DPs).
- 8) Dividend for the financial year ended 31st March, 2005, which remains unpaid or unclaimed, will be due for transfer to Investors Education and Protection Fund of the Central Government at the beginning of next year, pursuant to the provisions of Section 205C of the Companies Act, 1956. Members, who have not yet encashed their dividend warrants for the financial year 31st March, 2005 or any subsequent financial years, are requested to lodge their claims with the Company's Registrar & Share Transfer Agents without delay. Members are advised that no claims shall lie against the said fund or the company for the amounts of dividends so transferred to the said fund.
- 9) Members can avail of the facility of nomination in respect of the Equity Shares held by them in physical form pursuant to the provisions of Section 109A of the companies Act, 1956.

Members holding shares in electronic form may obtain the Nomination forms from their respective Depository Participants.
- 10) For the convenience of members and for proper conduct of the meeting, entry to the place of meeting will be regulated by the Attendance Slip, which is annexed to the proxy form. Members are requested to affix their signature at the place provided on the Attendance slip and hand it over at the entrance.
- 11) Relevant documents referred to in the accompanying notice are open for inspection by the members at the Registered Office of the Company on all working days, except Saturdays, between 11.00 a.m. and 1.00 p.m. up to the date of Meeting.
- 12) Brief resume of Directors seeking appointment / re appointment including nature of their expertise in specific functional areas and names of companies in which they hold directorship and membership / chairmanship

of Board Committees, as stipulated under clause 49 of the Listing Agreement with the Stock Exchanges, are as under;-

DETAILS OF DIRECTORS SEEKING APPOINTMENT / REAPPOINTMENT AT THE FORTHCOMING ANNUAL GENERAL MEETING
(In Pursuance of Clause 49 of the Listing Agreement)

Name of Director	Mr. Narrindra Suranna	Dr. R. Dasgupta	Mr. Indranil Dasgupta	Mr. Nilay Guha
Date of Birth	01.08.1961	17.06.1944	08.12.1968	20.09.1964
Date of Appointment on the Board	17/07/1996	01/11/2002	12/08/2011	11/02/2012
Qualification	B.Com (Hons.) & L.L.B from Calcutta University. He has also done MBA from Harvard University (Correspondence)	M.Sc from Jadavpur University and PhD from Calcutta University	Graduation with Bachelor of Engineering in Chemical Engineering from Jadavpur University, Kolkata	MBA, Macquarie University, Chevening Scholarship Programme from London School of Economics and Political Science, Master of Science, Industrial Engineering from Louisiana State of University and Agricultural and Mechanical College
Expertise	Mr. Suranna is a Promoter Director and has been associated with the Company since inception. He has got a wide range experience in plastic industry. Due to his dynamic leadership the Company has reached its present height.	Dr. Dasgupta has 40 Years of Experience in the Corporate arena particularly in plastic and polymers industries.	Mr. Dasgupta has over 20 years of experience in Corporate Finance. He started his career as an Executive Trainee in Hindustan Lever Ltd in the year 1991 -92. In the year 2006 he worked as Managing Director (Indian Operation) in IDIADA Automotive Technology S.A, of Spain. He is also associated with SREI Group.	Mr. Guha has over 20 years of experience in Sales and Marketing and currently working as Managing Director- Markem- Imaje Australia Pty Ltd.
Directorships held in other public companies including private companies which are subsidiaries of public companies (excluding foreign and private companies)	None	None	None	None
Memberships / Chairmanships of Committees across all companies	None	None	None	None
Shareholding in the Company	400	NIL	NIL	NIL
Relationship with other Directors	NIL	NIL	NIL	Son of Mr. Nirmalendu Guha (Director)

Note: Excludes Directorships in Private Limited Companies, Foreign Companies and Government Companies

REQUEST TO MEMBERS

Members desirous of getting Information / Clarification on the Accounts and Operations of the company or intending to raise any query are requested to forward the same at least 7 days in advance of the meeting to the Company Secretary at the office address so as the same may be attended appropriately.

By Order of the Board of Directors

Registered Office:
2B, Pretoria Street,
Kolkata-700071

A.B.Chakrabarty
Company Secretary

Date: 24th August, 2012

Place: Kolkata

Green Initiative

The Ministry of Corporate Affairs (MCA), Government of India, has taken a "Green Initiative in the Corporate Governance" by allowing paperless compliances by the companies after considering the relevant sections of the Information Technology Act, 2000, for legal validity of compliances under Companies Act, 1956 through electronic mode. The MCA has vide circular Nos. 17/2011 dated April 21, 2011 and 18/2011 dated April 29, 2011, provided that a company would have complied with Section 53 of the Companies Act, 1956, if the service of documents has been made through electronic mode, provided the company has obtained the e-mail addresses of its members for sending the notice / documents through email by giving an advance opportunity to every member to register his / her email address and changes therein from time to time with the company. In cases where any member has not registered his / her e-mail address with the Company, the service of documents etc. will be effected by other modes of service as provided in Section 53 of the Companies Act, 1956.

To support this green initiative of the Government in full measure, members who have not registered their e-mail addresses, so far, are requested to register their e-mail addresses, in respect of electronic holdings with the Depository through their concerned Depository Participants. Members who holds shares in physical mode are requested to register the same with CB Management Services (P) Ltd.

Explanatory Statement pursuant to Section 173(2) of The Companies Act, 1956

Item No. 5

The Board of Directors of the Company at its meeting held on 10th February, 2012, appointed Mr. Nilay Guha as an Additional Director with effect from 11th February, 2012, pursuant to the provisions of Section 260 of the Companies Act, 1956 (the Act) and Article 103 of the Articles of Association of the Company. According to the provisions of the said Section and Article, Mr. Nilay Guha would hold office up to the date of this Annual General Meeting.

The Company has, however, received a notice, in writing, from a member, under the provisions of Section 257 of the Companies Act, 1956, proposing the candidature of Mr. Nilay Guha for the office of Director of the Company. Requisite consent, pursuant to Section 264(1) of the Act, has been received from Mr. Nilay Guha to act as such Director, if appointed.

Mr. Nilay Guha, is not disqualified from being appointed as Director in terms of section 274(1) (g) of the Act. The Company has received a letter from Mr. Guha, in term of companies (Disqualification of Directors under section 274(1) (g) of the Act.), confirming his eligibility for such appointment.

The Board of Directors recommends the Resolution, being Item No.5 of the Notice convening this AGM, for approval of the members.

Save and except Mr. Nilay Guha and Mr. Nirmalendu Guha (being father of Mr. Nilay Guha) , no director of the company is concerned or interested in the resolution.

Item No. 6

Mr. Narrindra Suranna's present five years' term of office, as Managing Director of the Company, expired on 31st July, 2012. Mr.Suranna has been in the office, as such Managing Director, since 1st August, 2007. Mr.Suranna was also the Chairman of the Company. The Board of Directors at its meeting held on 15th May, 2012, reappointed Mr.Suranna as Managing Director of the Company for further period of five years, subject to the approval of the Members of the Company. The remuneration proposed to be paid to Mr.Narrindra Suranna is within the limits of Schedule XIII, as amended.

During the tenure of Mr.Suranna as Managing Director, the Company has made considerable progress in all the relevant spheres. He has been the key driving force in the success of the Company. The Directors, therefore, recommend passing of the relevant Ordinary Resolution as mentioned under item No. 6 of the Notice convening this Annual General Meeting.

The remuneration payable to Mr. Suranna as Managing Director including minimum remuneration payable to him in the event of absence or inadequacy of profits in any financial year of the Company is set out in the draft agreement proposed to be entered into by the Company with him and the salient features of the same are given hereunder:-

1. The reappointment is for a period of five years commencing from 1st August, 2012, as Managing Director.
2. Mr. Suranna will not be liable to retire by rotation while he continues as Managing Director of the Company.
3. Mr. Suranna will be entitled to the following remuneration in the capacity of Managing Director.
4. Gross Salary: - Rs.2,00,000/- per month in the scale (Rs.2,00,000 – Rs.20,000 – Rs.2,80,000).

The annual increment, which will be merit based, will be effective from 1st April each year, and the same will be decided by the Remuneration Committee and the Board of Directors of the Company.

Perquisites and Allowances: -

- i) Provision for use of the Company's car for official purpose and telephone at residence (including payment for local calls and long distance official calls) and use of mobile phone shall not be included in the computation of remuneration or perquisites.

- ii) Provision for reimbursement of official expenses in respect of use of credit card for official duties shall not be included in the computation of limits for the remuneration or perquisites.
- iii) Company's contribution to Provident Fund and Superannuation or Annuity Fund, to the extent these either singly or together are not taxable under the Income Tax Act, Gratuity payable as per the rules of the Company and encashment of leave at the end of the tenure shall not be included in the computation of limits for the remuneration or perquisites.

Functions: -

1. Mr. Narrindra Suranna will function under the superintendence, control and guidance of the Board of Directors. He will be entrusted with substantial powers of the Management.
2. He shall be entitled to take all decisions in relation to policy matters of the Company.
3. He shall be entitled to deal and negotiate with the suppliers of goods and machineries.
4. He shall be entitled to take decisions involving selection, recruitment, promotion, demotion, annual increments, removal of employees and executives and any decision in relation to human resource department.
5. He shall be entitled to take all decisions involving dealing and negotiation in relation to purchases and marketing of the Company's Products.
6. He shall deal with Banks and Financial Institutions and negotiate with them for fund requirement of the Company and any other facility required for the Company.

He shall be entitled to decide in relation to investments to be made, loans and advances to be taken or given.

Minimum Remuneration – Notwithstanding anything to the contrary herein contained, wherein any financial year during the currency of the tenure of the Managing Director, the Company has no profits or its profits are inadequate, the Company will pay remuneration by way of salary and perquisites and allowances, as specified above, as minimum remuneration.

Sitting Fees: - Mr. Suranna shall not be paid any sitting fees for attending the meetings of the Board of Directors or Committees thereof.

5. The terms and conditions of the said appointment and/or Agreement may be altered and varied, from time to time, by Remuneration Committee and the Board of Directors as they may, in its discretion deem fit, within the maximum amount payable to Managing Director in accordance with Schedule XIII to the Companies Act 1956 or any amendments made hereafter in this regard.
6. In the event of any statutory amendment, modification and/or relaxation by the Central Government to Schedule XIII to the Companies Act 1956, the Remuneration Committee shall have the authority to vary or increase the remuneration including salary, commission, perquisites, allowances, etc. and acceptable to the Managing Director, within such prescribed limit or ceiling and accordingly this Agreement may be suitably amended to give effect to such modification, relaxation or variation without further reference to the Shareholders of the Company in the General Meeting.
7. This Agreement may be terminated by either party by giving the other party six months' notice in writing or paying six months' salary in lieu thereof.

The Explanatory Statement together with the accompanying notice may also be regarded as an abstract of the terms of reappointment of Mr. Suranna as Managing Director of the Company and Memorandum of interest of the Director pursuant to section 302 of the Companies Act, 1956.

The approval of the members is sought pursuant to the provisions of Sections 198, 269, 309 and 310 of the Companies Act, 1956 read with Schedule XIII thereto, for the above reappointment of Mr. Narrindra Suranna as Managing Director of the Company and payment of remuneration to him.

The copy of the draft agreement referred to in the proposed ordinary resolution is available for inspection of the members at the registered office of the company on all working days between 11.00 A.M. to 01.00 P.M. upto the date of Annual General Meeting.

The Board of Directors recommends the Resolution, being Item No. 6 of the Notice convening this AGM, for approval of the members.

Save and except Mr. Narrindra Suranna, no director of the company is concerned or interested in the resolution.

Item No. 7

The Ordinary resolution at item No. 7 of the Notice is to seek the members approval to the appointment of Mr. Indranil Dasgupta as Whole –Time- Director of the Company. The Board of Directors of the Company at its meeting held on 10th February, 2012 appointed Mr.Dasgupta as Whole Time Director with effect from 11th February, 2012. He is a Chemical Engineer from Jadavpur University, Kolkata with over 20 years of experience in Corporate Finance, Advisory Services and General Management and had been associated with various companies. He has been associated with your Company as a Director on its Board of Directors with effect from 12th August, 2011 and has been taking keen interest in the affairs of the Company. Mr. Dasgupta having thus acquired a good knowledge and experience , the Directors of your Company thought proper to appoint him as the Whole – Time –Director for period of 3(Three) years with effect from 11th February 2012 subject to the approval of the members of the Company.

The terms and conditions of employment of Mr. Dasgupta do not envisage payment of any remuneration for the time being. He will work under the superintendence, control and guidance of Managing Director.

The Explanatory Statement together with the accompanying notice may also be regarded as an abstract of the terms of appointment of Mr. Dasgupta, Whole time Director of the Company and Memorandum of interest of the Director pursuant to section 302 of the Companies Act, 1956.

The approval of the members is sought pursuant to the provisions of Section 198, 269,309 and 310 of the Companies Act, 1956 read with Schedule XIII thereto, for the above appointment of Mr. Indranil Dasgupta as Whole – Time- Director of the Company.

The Board of Directors recommends the Resolution, being Item No. 7 of the Notice convening this AGM, for approval of the members.

Save and except Mr. Indranil Dasgupta, no director of the company is concerned or interested in the resolution.

By Order of the Boardof Directors

Registered Office:
2B, Pretoria Street,
Kolkata-700071

Date: 24th August, 2012
Place: Kolkata

A.B.Chakrabartty
Company Secretary

Directors' Report

Dear Shareowners,

Your Directors take pleasure in presenting the 27th Annual Report on the business and operation of the Company together with Audited financial statements and accounts for the year ended 31st March, 2012.

Highlights

The key highlights for the financial year 2011-12 are:

Increase in net Sales by 7.74 % to Rs. 913 Crore.

Increase in PBDIT by 21 % to Rs.57.88 Crore.

Increase in PAT by 26 % to Rs. 24.24 Crore.

Financial Results

	(₹ In Lacs)	
	2011-2012	2010-2011
Net Turnover and other Income	91323.21	84758.47
Profit before Depreciation, Interest & Tax	5788.27	4780.94
Less : Depreciation	883.52	705.41
Interest	1685.62	1298.81
Profit before Tax	3219.13	2776.72
Less : Provision for Tax	794.77	863.50
Profit After Tax	2424.35	1913.22
Add: Profit brought forward from previous year.	7614.88	6663.97
Add: Balance b/f from Amalgamating Company	0	(81.22)
Amount Available for Appropriation	10039.24	8495.96
Appropriation		
Proposed final dividend on Equity Shares	413.92	413.92
Corporate Dividend Tax	67.15	67.15
Transfer to General Reserve	400.00	400.00
Surplus carried to Balance Sheet	9158.17	7614.89

Operations

The Company has repeated an impressive performance in polymer compounds business. Revenue from Operations and other income for FY 2011-12 was ₹ 913.23 Crore higher by 7.74% compared to ₹ 847.58 Crore in the previous year and PAT was ₹ 24.24 Crore for the Current year as against ₹ 19.13 Crore in the previous year.

The Company's Production and Sales have recorded a significant growth over the previous year. Higher level of Capacity utilization backed by a strong volume growth, tighter cost control geared the company to register notable performance for the year, in spite of a miniscule price increase. Your Company has consciously been following a policy of steady growth in production for last several years.

Expansion

The Company is in the process of commissioning a new production unit at Surangi, Silvassa with capacity of handling 200000 TPA of our products. Once the project is completed, production capacity of Bhiwadi, Daman and

Silvasa – II will be shifted to new unit. The new unit will produce various grade of Compounds which includes XLPE, HFFR, Filled PP for furniture & appliances, Filled PE Compounds for antifab used for Woven Sack, white and black Master Batches, Rigid and Flexible PVC Compound used for Cable Insulation, Footwear & Pipe Jointing and other value added composition like Zero Halogen Fire Retardant Compound and Engineering Plastics. The Company continued its on-going effort to increase all – round efficiency and reduced cost.

New Projects

Your company, in order to diversify its product concentration risk and take advantage of its in-house compounding knowledge has decided to embark on an ambitious flexible packaging project in West Bengal. A state of the art flexible packaging unit, complete with blown and extrusion film lines, printing, lamination, slitting and pouching facilities is being set up in Dankuni along with ink making facilities in Bhasa. The total project cost is estimated at Rs 120 Crores and is expected to generate net profit returns in excess of 10% when fully operational. The facilities are expected to be commissioned progressively through in between January and December 2013. Your company has also commenced full scale pre-marketing activities with its target customers so that the plant, once commissioned, would be able to deliver quality products to prospective customers in multiple segments in the shortest possible time.

Dividend

Your Directors are pleased to recommend a dividend of ₹ 2.20/- per equity share of ₹ 10/- each i.e. 22% for the financial year ended March 31st, 2012. The Dividend outgo would amount to ₹ 481.07 lacs (inclusive of Dividend Distribution tax of ₹ 67.15 lacs). The dividend subject to approval of the shareholders at the AGM on 28th September, 2012, will be paid to the members whose names appear in the register of members as on the date of book closure for the AGM.

General Reserve

Out of the amount available for appropriation for the financial year 2011-12, an amount of ₹ 4 Crore has been transferred to the General Reserve.

Fixed Deposits

Your Company has not accepted any fixed deposit during the year under review in terms of Section 58A of the Companies Act, 1956 read with Companies (Acceptance of Deposit) Rules, 1975 and hence no amount of principal or interest was outstanding as at the Balance Sheet date.

Listing of Shares

During the year under review 320000 equity shares of ₹ 10/- each allotted to the shareholders of Bavaria Poly Private Limited, pursuant to the scheme of amalgamation, were listed on BSE and CSE.

Research and Development

Your Company recognizes that Research & Development plays a critical role in supporting current operations as well as in future growth. Your Company has focused its attention towards development of Products that have wide industrial application particularly in cable, piping, packaging and footwear industry.

Insurance

The Company's plants & machineries, factories and movables are adequately insured against various risks.

Directors

Shri D.C. Surana ceased to a Director on the Board due to his sudden demise on 14th January, 2012. The Board of Directors places on record its sincere appreciation of the valuable contributions made by Late Shri D.C. Surana during his tenure of office.

The Board has appointed Mr. Nilay Guha as Additional Director of the Company with effect from 11th February, 2012. Pursuant to section 260 of the Companies Act, 1956, Mr. Nilay Guha would hold office upto the date of the ensuing Annual General Meeting. However, the company has received requisite notice from a member under section 257 of the Companies Act 1956, proposing the name of Mr. Guha as a candidate for the office of director liable to retire by rotation.

The Board of Directors has also appointed Mr. Indranil Dasgupta as a Whole-Time-Director of the Company subject to approval of the members, for a period of three years with effect from 11th February, 2012.

Dr. R. Dasgupta, Director is due to retire by rotation at the conclusion of the forthcoming Annual General Meeting and being eligible, has offered himself for reappointment.

Suitable resolutions for appointment/reappointment of Director, as referred above, will be placed for approval of the members in the forthcoming Annual General Meeting. The brief resume and other information of the concerned directors, in terms of the provisions of clause 49 of the Listing Agreement with Stock Exchanges, have been detailed in the notice convening the forthcoming Annual General Meeting.

Directors' Responsibility Statement

Pursuant to Section 217(2AA) of the Companies Act, 1956, the Directors hereby confirm that:

- in preparation of the annual accounts, the applicable accounting standards have been followed. There are no material departures from these applicable accounting standards.
- the directors have selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the company as at 31st March, 2012 and its profit for the year ended on that date.
- the directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities.
- the directors have prepared the annual accounts on a going concern basis.

Auditors and Auditors' Report

The Statutory Auditors of the Company, M/s D.C. Dharewa & Co., Chartered Accountants, Kolkata, retire at the conclusion of the ensuing Annual General Meeting of the Company and confirmed their willingness and eligibility for reappointment, if made, will be within the limits under section 224(1B) of the Companies Act, 1956 and that they are not disqualified for reappointment within the meaning of section 226 of the Companies Act, 1956.

Further, the Auditors have confirmed that they have undergone the peer review process of the Institute of Chartered Accountants of India (ICAI) and hold a valid certificate issued by the 'Peer Review Board' of ICAI. The observations of the Auditors in the Report on Accounts read with the relevant notes are self – explanatory and do not call for any further comments.

Cost Audit

M/s. D. Sabyasachi & Co., Cost Accountants, Kolkata have been appointed as Cost Auditors of the Company for the Financial Year 2012-13 commencing 1st April, 2012, subject to approval of the Central Government. Compliance Audit relating to 'PVC Compound' for the year ended 31st March, 2012, has been conducted by the said cost auditors and related report will be submitted to the Ministry of Corporate Affairs, Government of India within the prescribed time.

Particulars of Employees

None of the employees employed throughout the year or part of the year who was in receipt of salary of ₹ 5,00,000 /- or more per month or ₹ 60,00,000 /- or more per annum, therefore, no details have been provided or required

under section 217 (2A) of the Companies Act, 1956 read with the Company (Particulars of Employees) Rules, 1975.

Human Resources and Industrial Relations

The Industrial relations of the Company with its personnel has continued to be cordial and amicable. Your Directors acknowledge and appreciate the efforts and dedication of employees to the Company. Your directors wish to place on record the co-operation received from the Staffs and Workers at all levels and at all units.

Particulars of Conservation of Energy, Technology Absorption and Foreign Exchange Earnings and Outgo.

Our Company has directed its efforts to reduce energy costs by focusing on energy savings through the best optimization of operations on a day to day basis. The Company has used fuels in appropriate mix to attain maximum savings.

As required to be disclosed in terms of Section 217(1) (e) of the Companies, Act, 1956, read with the Companies (Disclosure of Particulars in the Report of the Board of Directors) Rules 1988, the relevant data pertaining to conservation of energy, technology absorption and foreign exchange earnings and outgo is given in the prescribed format as an Annexure to the Report and marked as **Annexure –‘A’**.

Management’s Discussion and Analysis Report

In accordance with Clause – 49 of the Listing Agreement with the Stock Exchanges in India, the Management’s Discussion and Analysis Report for the year under review, is presented in a separate section forming part of the Annual Report and marked as **Annexure – ‘B’**.

Corporate Governance

The Company believes in maintaining the highest standards of Corporate Governance and has complied with the applicable provisions of Corporate Governance under clause 49 of the Listing Agreement with the stock exchanges. A detailed report on Corporate Governance, as stipulated under Clause – 49 of the Listing Agreement with the Stock Exchanges in India, is included in a separate section forming part of the Annual Report and marked as **Annexure – C**.

A certificate from the Auditors of the Company M/s D. C. Dharewa & Co., Chartered Accountants, Kolkata, confirming compliance of conditions of Corporate Governance as stipulated under the aforesaid Clause 49, is annexed to this Report.

Acknowledgement

Your Directors take this opportunity to thank the Financial Institutions, Banks, Central and State Governments authorities, Regulatory authorities, Stock Exchanges and all the various stakeholders for their continued co-operation and support to the Company.

Your Directors also wish to place on record their appreciation to all of the Company’s employees and workers at all level for their enormous personal efforts as well as their collective contribution to the Company’s performance.

For and on behalf of the Board of Directors

Place: Kolkata
Date: 24th August, 2012

Narrindra Suranna
Chairman & Managing Director

ANNEXURE 'A'

Particulars of Conservation of Energy, Technology Absorption and Foreign Exchange Earnings and Outgo as per section 217 (1) (e) of the Companies Act, 1956 read with Companies (Disclosure of Particulars in the report of Directors) Rules, 1988 for the year ended 31st March, 2012.

1. CONSERVATION OF ENERGY.

A) ENERGY CONSERVATION MEASURES TAKEN:

In addition to the existing measures being practiced, the following steps were taken:-

- i. Education of workforce at the Head Office regarding use of various office equipments, especially computers in a manner that use less energy.
- ii. Installation of energy efficient equipments, such as Compact Fluorescent Light Bulbs (CFLs) and Battery Charging Systems at all offices.
- iii. Adoption of policy of having our heating and cooling equipment serviced regularly.

B) ADDITIONAL INVESTMENTS AND PROPOSALS, IF ANY, BEING IMPLEMENTED FOR REDUCTION OF CONSUMPTION OF ENERGY.

- i. Rationalization of Plants to save and optimize use of energy.
- ii. Means of conservation of energy currently being utilized in process plants is being studied.

C) IMPACT OF MEASURES AT (A) AND (B) ABOVE.

Energy usage has been controlled due to above mentioned efforts being undertaken by the company.

D) TOTAL ENERGY CONSUMPTION AND ENERGY CONSUMPTION PER UNIT OF PRODUCTION.

The particulars are furnished in prescribed Form -A annexed hereto.

2. TECHNOLOGY ABSORPTION

Efforts made in technology absorption are furnished in prescribed Form-B annexed hereto.

3. FOREIGN EXCHANGE EARNINGS AND OUTGO.

A) ACTIVITIES RELATING TO EXPORT, INITIATIVES TAKEN TO INCREASE EXPORTS, DEVELOPMENT OF NEW EXPORT MARKETS FOR PRODUCTS AND SERVICES AND EXPORT PLANS:

Company is making serious efforts for marketing of its products for in global markets. With India's growing importance as a low cost manufacturing base with good health, safety and environment practices, your company sees a great export potential in many of its products. Effective steps have been taken in this regards and the company is receiving good responses to its efforts.

B) TOTAL FOREIGN EXCHANGE USED AND EARNED

(₹ In Lacs)

PARTICULARS	CURRENT YEAR	PREVIOUS YEAR
Total Foreign Exchange earned	12170.91	6551.91
Total Foreign Exchange used	26739.50	25691.92

FORM – A

Disclosure of Particulars with respect to Conservation of Energy

A. Power and Fuel Consumption	Unit	2011-12	2010-11
1. Electricity			
a) Purchased			
Unit	KWH	32470848	28850548
Total amount	₹	161136610	119905527
Rate / Unit	₹ /KWH	4.96	4.16
b) Own generation (through diesel generator)			
Unit	KWH	303247	259757
Total amount	₹	5261332	4408528
Rate / Unit (Average)	₹ /KWH	17.35	16.97
2. Coal		–	–
3. Furnace Oil		–	–
4. Other/Internal Generation		–	–
B. Consumption per unit of Generation	Unit	2011-12	2010-11
PVC, XLPE compounds & Master Batches			
Net saleable production	Kgs.	114786241	114220343
Electricity	KWH / TON	282.88	254.86

FORM – B

DISCLOSURE OF PARTICULARS WITH RESPECT TO TECHNOLOGY ABSORPTION.

RESEARCH AND DEVELOPMENT

- a) Specific areas in which R & D is carried out by your company.
- i) Horizontal and vertical expansion of Company's product profile.
 - ii) New & Improved Product Development.
 - iii) Up gradation of R&D lab, efforts are being made to develop state of the art R&D centre at Daman works to cater to the growing demand for Hi- Tech products.
- b) Benefits derived as a result of R & D.
- Efficiency and yield improvement, loss reduction and modernization program.
- i) Import Substitution
 - ii) Increased Market share for various products.
 - iii) Better market penetration of various products.
 - iv) Developments of various grades of PVC & XLPE compounds to meet changing market needs.

c) Future Plan of Action.

The R & D Centre has undertaken development of various grades of PVC Compound to meet the changing conditions.

d) Expenditure on R&D.

(₹ In Lacs)

Particulars	FY ended 31st March, 2012	FY ended 31st March, 2011
Capital	10.19	7.21
Recurring	4.77	5.63
Total R & D Expenditure	14.96	12.85
As a % of total Turnover	0.02	0.02

TECHNOLOGY ABSORPTION, ADOPTION AND INNOVATION

- Efforts, in brief, made towards technology absorption, adoption and innovation as above.
- Benefits derived as a result of the above efforts: New Products are being developed for polymer mixing by up gradation and innovation as enumerated above.
- No import of technology was carried out during the last 5 years from the beginning of financial year.

For and on behalf of the Board of Directors

Place: Kolkata
Date: 24th August, 2012

Narrindra Suranna
Chairman and Managing Director

MANAGEMENT DISCUSSION AND ANALYSIS REPORT

ECONOMIC OVERVIEW:

The overall global economy continues to face challenges to sustained recovery. Advanced economies that seemed to be shaping well at the start of 2011 lost steam towards the fag-end of the year and this uncertainty is clouding the prospects for global growth 2012. The growth momentum was impacted as the protracted debt crisis in the euro area and fiscal fragilities dampened business and consumer confidence.

The Indian economy was estimated to grow at 9% in Financial Year 2011-12, its growth is expected to be 6.5% only. This was the lowest annual growth in the last 9 years and was sub-par in comparison to not just the pre-crisis up to 2008 but also compared to immediate post crisis period.

FY 2011-12 began with inflation precariously close to double digits. Whole sale price index inflation at 9.74% and food inflation at 8.95% in April, 2011 showed a little signs of ceasing. Government continued to fight malaise with numerous calibrated steps, which constituted a combination of policies to improve supply, especially of food and basis agricultural products and curb fiscal and revenue deficits. Though, inflation ceased to 6.89% in March, 2012, it is expected to average 6.5% to 7.0% in FY 2012-13. A rise in commodity prices and weakening of the Indian rupee remain significant risk factors for the inflation trajectory.

Industry Overview

The products of Kalpena Industries Limited find application mainly in cable industries, packaging industries and footwear Industries. The Indian cable industry is highly fragmented with a large number of producers. The market for cables and wires is mainly dominated by the unorganized sector controlling about 70% of the domestic demand for wires and cables. Buoyancy in Real Estate, Power, Chemical, Hydrocarbons, Refineries etc. had spurred the demand for cable & wires over the past 2-3 years. During FY11, the Indian cable industry witnessed an overall growth of about 15%.

Industry Structure and Developments

The company's polymer compounds business is directly related to the fortunes of cable industry/packaging industry / footwear industry. If there is demand push in these segments of Indian economy, the top line and bottom line of Kalpena Industries Limited will significantly increase.

The strong R&D facilities of Kalpena, backed by competent R&D personnel will help overcome many of the challenges including overall growth at a rate superior to industry average. Kalpena has been able to develop a number of products for domestic and international market such as Medium Voltage XLPE, Medium Voltage Semi conducting grades and also grades suitable for Pipes.

Kalpena has always endeavored to keep pace with evolving technologies and give high customize solutions to customers. Kalpena has bought into effect new, efficient and speedy customer support and logistics to enhance customer relationship. With these additional systems, Kalpena that constantly work with customers, meeting their requirements ontime, every time.

Company's Performance:

A. Financial Performance:-

- Gross turnover for the year is ₹ 913 Crore against ₹ 847 Crore in 2010 – 11.
- PBIDT for the year ₹ 57.88 Crore as against ₹ 46.07 Crore in 2010-11.
- Profit after Tax for the year ₹ 24.24 Crore against ₹ 19.13 Crore in 2010-11.
- Capital Structure of the Company as at 31st March 2012 is ₹ 18.81 Cr comprising of 18814586 nos. of equity shares of ₹ 10/- each.
- The Board of Directors has recommended an equity dividend of 22% i.e. ₹ 2.20 per equity shares of ₹ 10/- each.

B. Product wise operational performance:-

Product wise your company is engaged in manufacturing of the following products, the performance of which is discussed in the following lines-

PVC Compound and Master Batches

The turnover from PVC Compound & Master Batches is ₹ 26525 lacs this year as against ₹ 25305 lacs for the last year.

PE Compounds

Turnover from PE compound is ₹ 56510 lacs this year as against ₹ 49478 lacs in the last year.

Agglomerates, Reprocessed Granules & Scraps

Turnover from these items are ₹ 14559 lacs as against ₹ 15300 lacs in the last year.

Future Outlook

The Company continued itself of being one of the leading market players in manufacturing of polymer compounds. We have offered a range of products to domestic and industrial users. In the years to come we will come up with more and more range of new products to satisfy the needs of the Customers. Kalpena Industries Limited is confident of accomplishing volume growth and consequently the market share in very near future. Your company, being the only local player for Medium Voltage cables, enjoys possibility of achieving higher volumes and margins. The marketing team is making incessant effort for increasing the presence in overseas market. Increase application of polymers and Performance polymers in the field of Consumer durable, Automobiles and also in Alternative & Renewable Energy sector provide ample opportunity to Kalpena in the field of polymer and performance polymer to enhance its business.

Expansion

The Company is in the process of commissioning a new production unit at Surangi, Silvassa, with capacity of handling 200000 TPA of our products. This new unit is spread over an area of approximately 56000 square meters and having FSI available to the extent of 500000 sq.ft of construction. The new site has, as such, got an immense potential for even future expansions to service the increasing demand of products from the company. Once the project is completed, production capacity of Bhiwadi, Daman and Silvassa – II will be shifted to new unit. The new unit will produce various grade of Compounds which includes XLPE, HFFR, Filled PP for furniture & appliances, Filled PE Compounds for antifab used for Woven Sack, white and black Master Batches, Rigid and Flexible PVC Compound used for Cable Insulation, Footwear & Pipe Jointing and other value added composition like Zero Halogen Fire Retardant Compound and Engineering Plastics. The Company continued its on-going effort to increase all – round efficiency and reduced cost.

The Company has invested considerable amounts in modernization and increasing the automation level of its manufacturing process besides introducing strict cost-cutting and disciplinary measures throughout the organization.

New Projects

Your company, in order to diversify its product concentration risk and take advantage of its in-house compounding knowledge has decided to embark on an ambitious flexible packaging project in West Bengal. A state of the art flexible packaging unit, complete with blown and extrusion film lines, printing, lamination, slitting and pouching facilities is being set up in Dankuni along with ink making facilities in Bhasa. The total project cost is estimated at ₹ 120 Crores and is expected to generate net profit returns in excess of 10% when fully operational. The facilities are expected to be commissioned progressively in between January and December 2013. Your company has also commenced full scale pre-marketing activities with its target customers so that the plant, once commissioned, would be able to deliver quality products to prospective customers in multiple segments in the shortest possible time.

Opportunity and Threats

The use of plastic made products has gained rich response from the customers and in number of items of Retail and Industrial consumption it was found that the use of Plastic made products has replaced many other products as the best substitute product. This increase in the use of plastic Products will open many new areas for the Industry in the years to come and we expect the vertical move of Plastic Industry in the Economy.

The Indian Plastic industry has been growing at a rate of 12% over the years and with its true potential harnessed, it is all set to reach the 12.5 MMT by consumption making india the 3rd largest consumer of plastics by 2012. To match this figure, india would require 42000 new machines and around US \$ 10 billion of project investment by 2020. Packaging, Electornics, Telecommunication, Infrastructre, Transportation, Healthcare and Consumer durables are fast growing sectors of Indian economy offering growth for plastics consumption.

Indian plastic industries are highly competitive and, being speedy growing Indian Economy the competition is increasing with the emergence of new global players and other domestic unorganized players. Increased competition might lead to price reductions, decreased sales, lower profit margins thus adversely affecting the business and financial condition of the Company.

Despite growing completion which may cause downward pressure on prices and profit margins, the company has equipped itself through increase in production capacity to grow its top line and bottom line. The Company has its strong financials and doesn't have major obligations. Apart from the raising in competition globally, inconsistency in the input prices and other routine business risks, we doesn't observe any major areas of Threats to our business

Risks and Concerns:

Risk is integral to virtually all business activities, though in varying degrees and forms. At Kalpena, we have well defined risk management policy in place and the same is reviewed from time to time. The risk management policy is also monitored by executive management of the company with suitable steps to enhance scope of its operation. Irrespective of the type of risk or the activity that creates it, the Company's fundamental approach to risk management remains the same:

Business risks

Besides other risks and concern the major concern of our business is fluctuations in the prices of Raw Materials and entry of local and small manufacturers in the Industry. The business is constantly under margin pressure with delivering the best quality products at competitive prices. Lower volumes and prices in the domestic and global markets will have an impact on the Company's revenues and profits. However, the management is cautiously optimistic about the likely recovery in the global infrastructure industry with arising of supply side pressures, increased focus on sales into various overseas markets and demand recovery in domestic market. The Company's focus on cost reduction, which has yielded positive results, will be the critical factor in mitigating margin pressures. Further, new product launches and long term relationship will aid in stabilizing cash flows.

Technology risks

Product obsolescence risks are inherent in the business and the management continues to accord high priority to in-house research and development in order to ensure new product development as per evolving needs in the industry, technical enhancements and quality improvements of existing product offerings.

Financial risks

Company has established a risk management strategy that comprise reasonable use of derivative and non derivative financial instruments primarily to manage its exposure to market risks resulting from adverse fluctuations in material prices, interest rates and foreign currency rates.

Internal Control System.

The Company has a well established internal control framework covering all functional areas. It includes independent review of control system by statutory auditors, review mechanism by Audit Committee and periodic review by the management.

Currently all the operations of the company are carried out in conformity with the defined process. The Company also has policy of periodic reviews of all business activities viz. purchase, stores, marketing, personnel, production, maintenance, finance and accounts, IT systems. The Audit Committee of the Board periodically reviews the terms of reference and the adequacy of internal control system, significant observations and their disposals and remedies if any. Further, the Company has implemented Enterprise Resource Plan (ERP) to consolidate all its operation as well as strengthen its Internal Control System.

Human Resources and Industrial Relations

The Company appreciates performance of the employees for the year and anticipate the much more for the years to come. Your Company believes in employee empowerment across the entire organization in order to achieve organizational effectiveness. The Human Resource policies are soundly drafted for all levels of employees to serve them motivation, transfer & promotions and to retain the skills. Over a period of time, your company has built and nurtured a dedicated and excellent workforce who consists of engineers, CAs, CSs, MBAs, and advance degree holders like PhDs having a big business portfolio. The Industrial relations of the Company was cordial and there were no instances of employee disputes arising during the year.

Cautionary Statement

Certain statements made in the Management Discussion and Analysis Report relating to the Company's objectives, projections, estimates, and expectations and others may constitute 'forward looking statements' within the meaning of applicable laws and regulations. Actual results may differ materially from those expressed or implied. Important factors that could make a difference to the Company's operations include economic conditions affecting demand/supply and price conditions in the domestic and overseas markets in which the Company operates, changes in the Government regulations, tax laws, natural calamities and so on over which the company does not have any direct control.

REPORT ON CORPORATE GOVERNANCE

1. COMPANY'S PHILOSOPHY ON CORPORATE GOVERNANCE:

Corporate Governance refers to a set of laws, regulations and good practices that enable an organization to perform efficiently and ethically generate long term wealth and create value for all its stakeholders. It provides structure to set the objectives, the means to attain them and monitor the performance. It is a commitment to the business ethics and values and not limited to compliances and transparency. Since Large Corporations employ a vast quantum of societal resources, Kalpena believes that the governance process should ensure that these resources are utilized in a manner that meets stakeholders' aspirations and societal expectations.

Corporate Governance helps to serve corporate purpose by providing a framework within which stakeholders can pursue the objectives of the organization most effectively. Corporate governance signifies acceptance by management of the inalienable rights of shareholders as the true owners of the organization and of their own role as trustees on behalf of the shareholders.

The Philosophy of the Company in relation to Corporate Governance is to ensure transparent disclosures and reporting that conforms to laws, regulations and guidelines and continue focusing on its resources, strengths and strategies to achieve its vision of becoming a market leader in plastics industries, while upholding the core values of excellence, integrity, responsibility, unity and understanding, which are fundamental to Kalpena Group.

Corporate Governance is an integral part of value, ethics and best business practices followed by the Company. The core values of the Company are commitment to excellence & customer satisfaction and maximizing long term shareholder's value. In a nutshell, the philosophy can be described as observing of business practices with the ultimate aim of enhancing long term shareholder's value and commitment to high standard of business ethics.

Some of the major initiatives taken by the Company towards strengthening its corporate governance systems and practices include the following:

Secretarial Audit:

The Company has appointed an independent practicing Company Secretary to conduct Secretarial audit. The quarterly audit reports are placed before the Board.

Role of Company Secretary in overall Governance Process:

The Company Secretary plays a key role in ensuring that the Board procedures are followed and regularly reviewed. The Company Secretary ensures that all relevant information, details and documents are made available to the directors and senior management for effective decision making at the meetings. The Company Secretary is primarily responsible to ensure compliance with applicable statutory requirements.

Observance of the Secretarial Standards issued by the Institute of Company Secretaries of India:

The Institute of Company Secretaries of India (ICSI), one of the premiere professional bodies in India. ICSI has issued Secretarial Standards on important aspects like Board Meetings, General Meetings, Payment of Dividend, Maintenance of Registers and Records, Minutes of Meetings and Transfer / Transmission of Shares. Though these standards are recommendatory in nature, the company adheres to the standards voluntarily. Hope, by the way of transparency in corporate management and reporting practices, this will make a value addition.

2. BOARD OF DIRECTORS:

The Board of Kalpena has an appropriate mix of Executive and Non-Executive Directors. The Non-Executive Directors include Independent Directors and is in conformity with Clause – 49 of the Listing Agreements entered into with the Stock Exchanges.

The composition of the Board and Category of Directors is as follows:

- As on 31st March, 2012, the Board comprises Chairman & Managing Director, two Whole Time Directors and three non executive independent directors. The composition of the Board is in conformity with Clause 49 of the Listing Agreement.
- None of the Directors on the Board are Members of more than ten Committees or Chairman of more than five Committees across all the Companies in which they are Directors. Necessary disclosures regarding Committee positions in other public Companies have been made by the Directors.
- The names and categories of the Directors on the Board, their attendance at Board Meetings held during the year and at the last (AGM), as also the number of Directorship and Committee positions held by them in other Companies are given herein below.

Name	Designation	Category	Attendance Particulars		Outside Directorships & Committee Position		
			Board Meeting	Last AGM	Other Director ships*	Committee Memberships#	Committee Chairmanships#
Shri D.C.Surana**	Chairman	Non Executive & Promoter	5	No	-	-	-
Shri Narrindra Suranna	Chairman & Managing Director ***	Executive & Promoter	7	Yes	-	-	-
Dr. Rupak Dasgupta	Director	Non Executive & Independent	2	Yes	-	-	-
Shri. Nirmalendu Guha	Director	Non Executive & Independent	7	Yes	Damodar Ropeways & Infra Limited.	-	-
Shri. R.K.Kothari %	Whole Time Director	Executive	1	Yes	-	-	-
Shri Indranil Dasgupta \$	Whole Time Director	Executive	3	Yes	-	-	-
Shri Nilay Guha @	Director	Non Executive & Independent	0	No	-	-	-

* Directorship includes only Public Companies.

** Shri D.C.Surana is no more with us.

*** Designated as Chairman & MD w.e.f 10th February, 2012.

% Appointed as director on the Board on 12th August , 2011.

\$ Appointed as director on the Board on 12th August , 2011.

@ Appointed as director on the Board on 11th February , 2012.

Committees includes Audit Committee and Shareholders Grievance Committee.

Except the Managing Director and Whole Time Directors, all other directors are liable to retire by rotation and at every AGM 1/3rd of them shall retire.

Details of the Directors Seeking appointment / re- appointment at the Annual General Meeting, pursuant to Clause 49 of the Listing Agreement, have been given along with the Notice of Annual General Meeting.

Independent Director is defined as one, who apart from receiving sitting fee as a director does not have any other material pecuniary relationship or transactions in his personal capacity with the Company.

As required under the Accounting Standard 18 transaction with related parties are furnished under note 37 of notes on financial statement. There was no transactions of material nature with Promoter Directors or their relatives, etc. that may have potential conflict with the interest of the company. With regards to disclosure received from Directors and senior management there was no transaction with the company which might have potential conflict with the interest of the company at a large.

3. BOARD AGENDA

Scheduling and Selection

Meetings are governed by a structured agenda. The Board members, in consultation with the Chairman, may bring up any matter for the consideration of the Board. All departments of the Company schedule their work plans in advance, particularly with regard to matters requiring consideration at the Board/ Committee Meetings. All such matters are communicated to the Company Secretary in advance so that the same could be included in the agenda for the Board/ Committee Meetings.

Post Meeting follow up System:

The Governance processes in the Company include an effective post meeting follow-up, review and reporting process for action taken / pending on decisions of the Board. Decisions are promptly communicated to the concerned departments. Action taken report on decisions / minutes of previous meetings is placed at the succeeding meetings of the Board/ Committee for noting.

4. DETAILS OF BOARD MEETINGS DURING THE FINANCIAL YEAR:

The Meetings of the Board of Directors are normally held at the Company's Registered Office at Kolkata. During the financial year 2011-2012, seven meetings of the Board were held and the gap between two meetings did not exceed four months. The dates on which the said meetings were held are as follows:

Sl.No	Date	Sl.No	Date
1	14TH May, 2011	5	29th September, 2011
2	14th July, 2011	6	14th November, 2011
3	11th August, 2011	7	10th February, 2012
4	29th August, 2011		

Shareholdings of directors as on 31.03.2012 are as under:

Name of the Director	No. of Ordinary Shares held	% of Paid – up Capital
Shri D.C.Surana*	15000	0.08%
Shri Narrindra Suranna	400	0.002%
Dr. R. Dasgupta	-	-
Shri R.K.Kothari	-	-
Shri. Nirmalendu Guha	-	-
Shri Indranil Dasgupta	-	-
Shri Nilay Guha	-	-

* Shri D.C.,Surana is no more with us.

5. COMMITTEES OF THE BOARD:

Presently, there are three Board Committees– the Audit Committee, the Remuneration Committee and the Share Transfer and Investors Grievances Committee. The terms of reference of the committee(s) detailing their scope of work are determined by the Board from time to time. The Board periodically reviews the minutes of the meetings of above mentioned Committees. Composition, terms of reference, number of meetings and related attendance etc., of these committees are detailed below:-

5.1 AUDIT COMMITTEE:

In compliance with Clause 49 of the Listing Agreement as well as of Section 292A of the Companies Act, 1956, the Board has constituted an Audit Committee. This Committee of the Board, inter alia, provides reassurance to the Board on the existence of an effective internal control environment that ensures:

- Efficiency and effectiveness of operations;
- Safeguarding of assets and adequacy of provisions for all liabilities;
- Reliability of financial and other management information and adequacy of disclosures;
- Compliance with all relevant statutes.

The Committee presently comprises three Directors, two of whom are Independent. The Audit Committee Chairman, Mr. N.Guha is a Non-Executive Independent Director having adequate management expertise and sound financial knowledge. The Company Secretary is the Secretary of the Committee. The Managing Director, Chief Financial Officer, Statutory Auditors usually attend the meeting (being entitled to attend as per relevant provisions of applicable laws/rules and/or as and when felt necessary)

All the Members of the Committee have good knowledge of finance, accounts and company law with in the meaning of clause II (A) explanation 1 of Clause 49 of the Listing Agreement. During the year under review, the committee met five times on 14.05.2011, 11.08.2011, 29.09.2011, 14.11.2011 and 10.02.2012. The Composition of the Committee and the attendance at each Committee Meetings are as follows :-

Name of Director	Category	Attendance of Directors				
		14.05.2011	11.08.2011	14.11.2011	29.09.2011	10.02.2012
Mr. N.Guha	Non Executive Independent	Yes	Yes	Yes	Yes	Yes
Mr. D.C.Surana*	Non- Executive	Yes	Yes	Yes	Yes	No
Dr. R. Dasgupta	Non Executive Independent	Yes	Yes	Yes	Yes	Yes
Mr. R.K.Kothari**	Executive	NA	NA	NA	NA	Yes

* Sudden demise of Mr. D.C. Surana on 14th January, 2012.

** Inducted w.e.f. 10.02.2012

Term of reference:

Oversight of the company's financial reporting process and the disclosure of its financial information to ensure that the financial statement is correct, sufficient and credible;

Recommending to the Board, the appointment, re-appointment and, if required, the replacement or removal of the statutory auditors and fixation of audit fees;

Approval of payment to statutory auditors for any other services rendered by them;

Reviewing, with the management, the annual financial statements before submission to the Board for approval, with particular reference to:-

- a) Matters required being included in the Director's Responsibility Statement to be included in the Board's report in terms of clause (2AA) of section 217 of the Companies Act, 1956;
- b) Changes, if any, in accounting policies and practices and reasons for the same;
- c) Major accounting entries involving estimates based on the exercise of judgment by management;
- d) Significant adjustments made in the financial statements arising out of audit findings;
- e) Compliance with listing and other legal requirements relating to financial statements;
- f) Disclosure of any related party transactions;
- g) Qualifications in the draft audit report;

Reviewing with the management, the quarterly financial statements before submission to the Board for approval;

Reviewing with the management, performance of statutory and internal auditors and adequacy of the internal control systems;

Reviewing the adequacy of internal Audit / control systems, if any, including the structure of the internal control department staffing and seniority of the official heading the department, reporting structure coverage and frequency of internal audit;

Discussion with internal auditors any significant findings and follow up thereon;

Reviewing the findings of any internal investigations by the internal auditors into matters where there is suspected fraud or irregularity or a failure of internal control systems of a material nature and reporting the matter to the Board;

Discussion with statutory auditors before the audit commences, about the nature and scope of audit as well as post-audit discussion to ascertain any area of concern;

To look in to the reasons for substantial defaults in the payment to the depositors, debenture holders, share holders (in case of non payment of declared dividends) and creditors;

Considering such other matters as may be required by the Board;

Reviewing any other areas which may be specified as role of the Audit Committee under the Listing Agreement, Companies Act and other Statutes, as amended from time to time.

Power of Audit Committee

The audit committee shall have powers which should include the following:

1. To investigate any activity within its terms of reference.
2. To seek information from any employee.
3. To obtain outside legal or other professional advice.
4. To secure attendance of outsiders with relevant expertise, if it considers necessary.

5.2 REMUNERATION COMMITTEE :

Meeting Held :

During the Financial Year 2011-2012, the committee met two times on 29th September, 2011 and 10th February, 2012.

Composition and Attendance:

Sl. No	Name of Director	Composition as on March 31, 2012	Meeting(s) attended
1	Dr. R. Dasgupta	Chairman	2
2	Mr. N.Guha	Member	1
3	Mr. D.C.Surana*	Member	1
4	Mr. R.K.Kothari	Member	1

* Due to sudden demise of Mr.D.C.Surana on 14th January, 2012, the board has inducted Mr. R.K.Kothari as a member of the Committee w.e.f 10.02.2012.

The Company Secretary acts as the Secretary of the Committee.

Terms of Reference:

The Broad terms of reference of the Remuneration Committee are as under:-

To review, assess and recommend the appointment of Executive and Non-Executive Directors from time to

time and to periodically review their remuneration package, to recommend suitable revision to the Board, to recommend compensation to the Non-Executive Directors in accordance with the provisions of the Companies Act, 1956.

Remuneration Policy:

Non Executive Directors

The remuneration of the Non- Executive Directors (NEDs) of the Company is decided by the Board of Directors. The Non- Executive Directors of the Company are being paid sitting fees of Rs. 5000 /- for attending each meeting of Board and Committees of Directors. Besides sitting fees, the Non Executive Directors of the company were not paid any other remuneration or commission.

Managing Director and Executive Directors

The Company pays remuneration to its Managing Director and Whole Time Directors by way of salary, perquisites and allowances, based on the recommendation of the Committee, approval of the Board and shareholders. The Board, on the recommendation of the Remuneration Committee, approves the annual increments (effective from 1st April each year).

Details of Remuneration Paid to Executive & Non- Executive Directors: (Amount in ₹)

Name	Position	Sitting Fees	Salary & Perks	Commission	Total
Mr. D.C.Surana	Non Executive Chairman*	66500	Nil	Nil	66500
Mr. Narrindra Suranna	Chairman & Managing Director **	Nil	18,00,000	Nil	1800000
Dr. R. Dasgupta	Non Executive Director	42000	Nil	Nil	42000
Mr. R.K.Kothari	Whole Time Director %	Nil	764516	Nil	764516
Mr. N.Guha	Non Executive Director	45,500	Nil	Nil	45,500
Mr. Indranil Dasgupta	Whole Time Director \$	3500	Nil	Nil	3500
Mr. Nilay Guha	Non Executive Director @	Nil	Nil	Nil	Nil

* Shri D.C.Surana is no more with us.

** Designated as Chairman & MD w.e.f 10th February, 2012.

% Appointed as director on the Board on 12th August , 2011 .

\$ Appointed as director on the Board on 12th August , 2011 .

@ Appointed as director on the Board on 11th February , 2012 .

5.3. SHARE TRANSFER & INVESTORS GRIEVANCES COMMITTEE :

The Board has constituted Share Transfer & Investors Grievance Committee to specifically look into the matters relating to shareholders complaints and also matters pertaining to Share Transfer / Transmission, de - materialization / re - materialization of shares, issue of duplicate shares, non receipt of dividend and other related matters.

To expedite the process and for effective resolution of grievances / complaints, the Committee has delegated powers to the Share Transfer Agents and its officials to redress all complaints / grievances / inquiries of the shareholders' / Investors'. It redresses the grievances / complaints of shareholders' / investors' under the supervision of the Company Secretary and Compliance Officer of the Company.

During the year ended 31st March, 2012, 13 investors complaints were received and all have settled / resolved.

Composition:

The Share Transfer & Investors Grievance Committee presently comprises of:

- Mr. D.C.Surana – *Chairman (ceased to be a director on the Board w.e.f. 14.01.2012)*
- Dr. R.Dasgupta – *Chairman (inducted w.e.f 10th February. 2012)*
- Mr. Narrindra Suranna – *Member (W.e.f. 10th February, 2012)*
- Mr. R.K.Kothari – *Member (inducted w.e.f 10th February. 2012)*

The Terms of reference of the Committee include the following:

- To specifically look into complaints received from the shareholders of the Company.
- To oversee the performance of the Registrar and Transfer Agent of the Company.
- To recommend measurements for overall improvement in the quality of services to the investors.

The Committee met 16 times during the year 2011-2012.

The attendance of each Member of the Committee is given below:

Sl.No	Name	Meeting held during the year	Meeting attended
1	Mr. D.C.Surana	16	10
2	Mr. Narrindra Suranna	16	16
3	Dr. R. Dasgupta	16	4
4	Mr. R.K.Kothari	16	4

6. DETAILS OF GENERAL MEETING :

Annual General Meeting :

The last Three Annual General Meetings were held as under :

Financial Year	Date	Time	Venue	Special Resolution passed, if any.
2010-2011	12th November, 2011	10.00 A.M	Gyan Manch, 11 Pretoria Street, Kolkata - 700 071	Change of RTA
2009-2010	30th September, 2010	10.00 A.M.	Gyan Manch, 11 Pretoria Street, Kolkata - 700 071	None
2008-2009	15th September, 2009	10.00 A.M.	Gyan Manch, 11 Pretoria Street, Kolkata - 700 071	Cancellation / setting aside of the resolutions passed at the EGM held on 26.04.2009 under section 94, 16 and 81(1A) of the Companies Act, 1956.

6.1 Extraordinary / other General Meeting: During the Financial Year 2011-2012 one High Court Convened Shareholders Meeting was held on 26.04.2011 for considering the matter relating to merger of Bavaria Poly Private Limited into Kalpena Industries Limited.

6.2 Postal Ballot: During the year under review no Special Resolution was passed through Postal Ballot. None of the businesses proposed to be transacted in the ensuing Annual General Meeting require passing a special resolution through Postal Ballot.

7. DISCLOSURES :

7.1 Disclosures on materially significant related party transactions that may have potential conflict with the interest of the company at large :-

There are no materially significant transactions made by the company with its promoters, Directors or Management or relatives etc. that may have potential conflict with the interest of the Company at large.

However, attention of the members is drawn to the disclosure of transactions with the related parties and transactions as required under Accounting Standard (AS) 18 on Related Party Disclosures prescribed under the Companies Act, 1956 set out in Notes to financial statement no.37 , forming part of the Annual Report.

7.2 Details of Non compliance:-

The company has complied with the requirements of the stock exchanges, SEBI and other authorities on all

matters relating to capital market during last three years. No penalties or strictures have been imposed on the Company by Stock Exchanges or SEBI or any other authorities relating to the above.

7.3 Disclosure of Risk Management :-

The company has laid down procedures to inform the Board Members about the risk assessment and risk mitigation mechanism, which is periodically reviewed and reported to the Board of Directors by Senior Executives.

7.4 Compliance of Clause 49 :-

The company has complied with the entire mandatory requirement to Clause 49 of the Listing Agreement executed with the Stock Exchanges. Comments on adoption of non-mandatory requirements are given at the end of this report.

7.5 Proceeds from Issues, if any :- Not Applicable.

7.6 CEO and CFO Certification :-

The Chairman and Managing Director (CEO) and Officiating Chief Financial Officer (CFO) have certified to the Board in accordance with clause 49(V) of the Listing Agreement pertaining to CEO / CFO certification for the financial year ended 31st March, 2012. The same is reproduced below;

Chief Executive Officer (CEO) / Chief Financial Officer (CFO) Certification

To,
The Board of Directors,
Kalpena Industries Ltd,

We have reviewed the Financial Statements and Cash Flow Statement for the financial year ended on 31st March, 2012 and that to the best of our knowledge and belief, we state that ;

- (a) i) These statements do not contain any materially untrue statement or omit any material fact or contain statements that might be misleading;
- ii) These statements together present a true and fair view of the Company's affairs and are in compliance with existing accounting standards, applicable laws and regulations.
- (b) There are no transactions entered into by the Company during the year which are fraudulent, illegal or violative of the Company's Code of Conduct.
- (c) We are responsible for establishing and maintaining internal controls for financial reporting and that we have evaluated the effectiveness of internal control systems of the Company pertaining to financial reporting and we have disclosed to the auditors and the Audit Committee, deficiencies in the design and operations of such internal controls, if any, of which we are aware and the steps we have taken or propose to rectify these deficiencies.
- (d) We have indicated to the auditors and the audit committee of the Board of Directors ;
 - i) Significant changes, if any, that have occurred in the internal control over financial reporting during the year; During the financial year ended on 31st March, 2012, there were no significant changes in internal control over financial reporting.
 - ii) There have been no significant changes in accounting policies during the year;
 - iii) There have been no instances of significant fraud nor there was any involvement of the management or an employee having a significant role in the Company's internal control system over financial reporting

Date :24th August, 2012
Place : Kolkata

Sd/-
I.C.Dakalia
Chief Financial Officer

Sd/-
Narrindra Suranna
Chairman & Managing Director

8 CODE OF CONDUCT FOR BOARD MEMBERS AND SENIOR MANAGEMENT.

The Company has adopted the code of conduct for Senior Management and Directors. The code has been circulated to all the members of the Board and senior management and the same has been put on the Company's website. The Board members and senior management have affirmed their compliance with the code and a declaration signed by the Managing Director of the Company appointed in terms of the Companies Act, 1956 (i.e the CEO within the meaning of clause 49-V of the Listing Agreement) is annexed separately to this report.

9 MEANS OF COMMUNICATION :

In compliance with the requirements of the Listing Agreement, the Company has intimated the financial results to the stock exchanges immediately after they are taken on record by the Board. Further coverage has been given for the benefit of the shareholders and investors by publication of the financial results in the leading national dailies like Economic Times / Financial Express / Business Standard etc., and a local vernacular newspaper circulated in the state of West Bengal. The results were also available on the company's website at <http://www.kalpenagroup.com>.

Brief profile and other information of the Directors seeking appointments / re - appointment at the ensuing Annual General Meeting as required under Clause 49 of the Listing Agreement is given as an annexure to the notice of ensuing Annual General Meeting.

Management Discussion and Analysis Report are given separately and forms part of Annual Report.

10 CODE OF INSIDER TRADING:

In pursuance of the SEBI (Prohibition of Insider Trading) Regulations, 1992, the Board has laid down "Code of Conduct for Prevention of Insider Trading" with objective of Preventing purchase and or sale of shares of the company by an insider on the basis of unpublished price sensitive information. Further the Trading Window has been closed for the Directors and Employees of the Company as per insider Trading Code in force in the Company.

11 GENERAL SHAREHOLDERS INFORMATION :

(i) Annual General Meeting (AGM)

Day, Date & Time : Friday, the 28th September , 2012 at 02.30 P.M.

Venue : Gyan Manch, 11- Pretoria Street, Kolkata – 700 071

(ii) **Date of Book Closure** : Friday, 21st September, 2012 to Friday, 28th September, 2012 (both days inclusive)

(iii) **Dividend Payment** : Credit / dispatch between 03rd October, 2012 and 23rd October, 2012, if declared at the AGM.

(iv) Financial Calendar for Year 2012-2013 (tentative)

The Company follows the financial year from April to March.

For the quarter ending 30th June, 2012

For the quarter & half year ending 30th September, 2012

For the quarter & nine months ending 31st December, 2012

Within 45 days of the end of the quarter.

For the quarter & year ending 31st March, 2013 (Audited)

With in 60 days of the end of the Quarter/Year.

- (v) **Listing on Stock Exchanges:** The Share of the Company is listed in the following Exchanges.

Name of the Stock Exchanges	Stock Code
The Bombay Stock Exchange Ltd.(BSE)	526409
The Calcutta Stock Exchange Association Ltd. (CSE)	10029050

The Company has paid the annual listing fees for the financial year 2012-13 to all the exchanges and has paid the custodial fees to National Securities Depository Limited (NDSL) and Central Depository Services (India) Limited (CDSL) for the financial year 2012-13.

- (vii) **Dematerialisation of Shares and Liquidity:**

Trading in the Equity Shares of the Company is permitted only in dematerialised form. Shareholders may therefore, in their own interest, dematerialise their holdings in physical form, with any one of the Depositories namely National Securities Depository Ltd (NSDL) and Central Depository Services (India) Ltd (CDSL). The ISIN No. for the Equity Shares of the Company is INE301C01010. As on 31st March, 2012, 18145656 shares representing 96.44% of the Equity Shares stand dematerialised. It may be noted that in respect of shares held in demat form, all the request of shares held in demat form, all the requests for nomination, change of address, NECS, Bank Mandate and rematerialisation etc. are to be made only to the Depository Participant (DP) of the Shareholders.

- (viii) **Registrar & Transfer Agent:**

The company has changed its Registrar and Transfer Agents from M/s. S.K.Computers, 34/1A, Sudhir Chatterjee Street, Kolkata – 700 006, to M/s. CB Management Services (P) Limited with effect from 1st July, 2011.

All future communications related to share matters of the Company should be made to M/s. C B Management Services (P) Limited. Address of which is given below:

M/s. C B Management Services (P) Limited
 P-22- Bondel Road, Kolkata – 700 019
 Phone: 033 2280 6692 / 93/ 94/ 2486 / 4011 6700
 Fax: 033 2287 0263
 E mail: rta@cbmsl.com

- (ix) **Share Transfer System:**

Share transfers are generally registered within a maximum period of 15 days from the date of receipt provided the documents are complete in all respects. All transfers are first processed by the Transfer Agent and submitted to the "Share Transfer & Investors Grievance Committee" for approval thereafter. The authorized officials of the Company approve the transfer and duly transferred shares are returned to the shareholders.

The Company obtains a certificate from a practicing Company Secretary on half yearly basis to the effect that all the transfers are completed in the statutorily stipulated period. In compliance with clause 47 (c) of the Listing Agreements, a copy of the certificate so received is submitted to the stock exchanges, where the shares of the Company are listed.

The Company has appointed M/s. CB Management Services (P) Limited as a common agency for share registry work (both physical & electronic) in compliance of circular No. D&CC/FITTC/CIR15/2002 dated 27th December, 2002 issued by SEBI, for all matters connected with transfers and transmissions of shares and also dematerialization of shares and other related functions.

- (x) **Investor Grievance Redressal System.**

The investor grievances against the company are handled by the Company's Registrar and Transfer Agents (RTA), in consultation with the Secretarial Department of the Company. The Registrars have adequate

skilled staff with professional qualifications and advance computer systems for speedy redressal of investor's grievances. The total process of settlement of a complaint right from its receipt to disposal is fully computerized to ensure timely settlement. It normally takes 15 days from the date of receipt of complaint for disposal of investor grievances.

A total of 13 Numbers of Investor's complaint / queries were received during the year under review and all were replied / resolved.

(xi) **Unpaid / Unclaimed Dividend.**

In terms of Section 205A and 205C of the Companies Act, 1956, the company is required to transfer the amount of dividend remaining unpaid for a period of seven years from the date of transfer to the Investor Education and Protection Fund (IEPF). Dividend for the financial year ended 31st March, 2005, which remains unpaid or unclaimed, will be due for transfer to Investors Education and Protection Fund of the Central Government at the beginning of next year, pursuant to the provisions of Section 205C of the Companies Act, 1956. Members, who have not yet encashed their dividend warrants for the financial year 31st March, 2005 or any subsequent financial years, are requested to lodge their claims with the Company's Registrar & Share Transfer Agents without delay. Members are advised that no claims shall lie against the said fund or the company for the amounts of dividends so transferred to the said fund. As on 31st March, 2012, no amount is due for transfer to IEPF.

(xii) **Market Price Data :**

The shares of the company are currently traded at BSE. The Stock Market data from 1st April, 2011 to 31st March, 2012 are given below :

Months	Bombay Stock Exchange Limited				
	Monthly High Price	Monthly Low Price	Sensex highest	Sensex lowest	Volume of share traded
Apr-2011	125.45	78.55	19811.14	18976.19	373513
May-2011	105.45	74.00	19253.87	17786.13	96409
Jun-2011	83.00	69.70	18873.39	17314.38	53278
Jul-2011	92.00	73.80	19131.70	18131.86	36168
Aug-2011	90.00	63.55	18440.07	15765.53	47068
Sep-2011	87.50	65.00	17211.80	15801.01	23251
Oct-2011	71.00	60.10	17908.13	15745.43	41267
Nov-2011	73.50	53.30	17702.26	15478.69	22431
Dec-2011	63.50	45.00	17003.71	15135.86	40603
Jan-2012	68.85	47.50	17258.97	15358.02	48796
Feb-2012	69.80	59.05	18523.78	17061.55	48722
Mar-2012	73.00	55.65	18040.69	16920.61	72457

(xiii) Distribution Schedule as on 31.03.2012

Range	Number of Shareholders		Shares held in each class	
	Number	%	Number	%
Up to 500	7382	94.30	893810	4.75
501-1000	186	2.38	151376	0.81
1001-2000	106	1.35	162149	0.86
2001-3000	56	0.72	135783	0.72
3001-4000	14	0.18	50604	0.27
4001-5000	17	0.22	77915	0.41
5001-10000	36	0.46	265713	1.41
10001- 50000	17	0.22	338858	1.80
50001 – 100000	2	0.02	115663	0.62
100001 and above	9	0.15	16622715	88.35
Total	7825	100 %	18494586	100 %

(xiv) Share Holding Pattern as on 31.03.2012

Category	No. of Shareholders	No. of Shares Held	% of holding
Promoter's Holding			
i) Individual / HUF	6	152972	0.81 %
ii) Bodies Corporate	4	13700703	72.82 %
Total Promoter's Holdings	10	13853675	73.63 %
Non Promoter's Holding			
Mutual Funds / UTI	4	9700	0.05 %
NRIs / FIIs / OCBs	230	98021	0.52 %
Private Body Corporate	143	3047483	16.20 %
Clearing Members	25	19273	0.10
Indian Public	7413	1786434	9.50 %
Total Non Promoters Holdings	7815	4960911	26.37 %
Total	7825	18814586	100 %

(xv) Outstanding GDRs/ ADRs/ Warrants / Convertible Instruments and likely impact on Equity :

The Company has not issued any GDRs / ADRs / Warrants or any other convertible instruments to be converted into equity shares.

(xvi) Share Capital History of the Company:

Security Description	Date of Allotment	No. of Shares	Issue Price		Distinctive Numbers	ISIN Code
			Value	Premium		
Subscribers to the Memorandum	03.09.1985	200	10	-	1-200	INE301C01010
Further Allotment to promoters and others	24.03.1987	200	10	-	201-400	INE301C01010
Further Allotment to promoters and others	11.11.1987	500	10	-	401-900	INE301C01010
Further Allotment to promoters and others	29.03.1988	399100	10	-	901-4,00,000	INE301C01010
Public Issue	27.10.1988	600000	10	-	4,00,001-10,00,000	INE301C01010
Public Issue	03.12.1993	4144000	10	5	10,00,001-51,44,000	INE301C01010
Right Issue	28.12.1993	2456000	10	5	51,44,001-76,00,000	INE301C01010
Amalgamation	27.06.2006	3953600	10	-	76,00,001-1,15,53,600	INE301C01010
Conversion of Warrants	12.08.2010	3000000	10	70	1,15,53,601-1,45,53,600	INE301C01010
Conversion of Warrants	17.09.2010	3000000	10	70	1,45,53,601-1,75,53,600	INE301C01010
Amalgamation	22.09.2010	9,40,986	10	-	1,75,53,601- 1,84,94,586	INE301C01010
Amalgamation	29.09.2011	3,20,000	10	-	1,84,94,587- 1,88,14,586	INE301C01010

(xvii) Plant Locations :

- Kolkata Works** - I. Kandua, Vill.+P.O - Chatubhujkathi, P.S.- Sankrail , Howrah - 711 302. W.B. - 743503, India.
II. Village - Bhasa, No.14,P.O.& P.S. Bishnupur, Dimond Harbour Road, South 24 Parganas, W.B.- 743503, India.
- Daman Works** - 168/151-158, Dhabel Industrial Co- Operative Soceity Ltd, Dhabel, Daman - 396215, India
- Dadra Works** - Survey No.24/3, Village - Demini, Demini Road, Dadra, Dadra & Nagar Haveli - 396230, India.
- Bhiwadi Works** - A1163, Phase - IV, RIICO Industrial Area, Bhiwadi - 301019, Rajasthan.
- Falta Works** - Falta Special Economic Zone, Plot No-29, Sector-I, Village-Simulberia, Mouza-Bisra, Dist.-South 24 PGS.

(xviii) Address for correspondence :

The shareholders may contact the Company / RTA on the following addresses :

General Correspondence :

1. Kalpena Industries Limited
Secretarial Department,
2B, Pretoria Street, Kolkata – 700 071
Phone : 033 2282 3744 /45, Fax : 033 2282 3739
E mail : kolkata@kalpena.co.in

Correspondence related to shares / queries/requests :

2. M/s. C B Management Services (P) Limited
P-22- Bondel Road, Kolkata – 700 019
Phone: 033 2280 6692 / 93/ 94/ 2486 / 4011 6700
Fax: 033 2287 0263, E mail: rta@cbmsl.com

Non Mandatory requirements of Corporate Governance.

As required under non-mandatory requirements the Company has constituted Remuneration Committee. As regards Whistle – Blower mechanism, all employees have access to the Audit Committee. The Company's policies as regards adoption of other non- mandatory requirements shall be disclosed in the future Annual Report from time to time

Declaration regarding Affirmation of Code of Conduct.

I hereby declare that, all the members of the Board of Directors and Senior Management personnel have affirmed compliance with the Code of Conduct, applicable to them as laid down by the Board of Directors in terms of Clause 49(I)(D)(ii) of the Listing Agreement entered into with Stock Exchanges, for the year ended 31st March, 2012.

For and on behalf of the Board of Directors

Place: Kolkata
Date: 24th August, 2012

Narrindra Suranna
Chairman and Managing Director

AUDITORS' COMPLIANCE CERTIFICATE ON CORPORATE GOVERNANCE

To
The Members of
Kalpena Industries Limited.

We have examined the compliance of Corporate Governance by Kalpena Industries Limited for the year ended 31st March, 2012, as stipulated in clause 49 of the Listing Agreement of the said Company with Stock Exchange(s).

The compliance of conditions of Corporate Governance is the responsibility of management. Our examination was limited to the procedures and implementation thereof, adopted by the Company for ensuring the compliance of the conditions of the Corporate Governance. It is neither an audit nor an expression of opinion on the financial statements of the company.

In our opinion, and to the best of our information, and according to the explanations given to us, we certify that the Company has complied with the conditions of Corporate Governance as stipulated in the above mentioned Listing Agreement.

We further state that such compliance is neither an assurance as to the future viability of the Company nor the efficiency or effectiveness with which the management has conducted the affairs of the Company.

Place : Kolkata
Dated : 24.08.2012

For D.C.Dharewa & Co
Chartered Accountants
(D.C.Dharewa)
Proprietor
Membership No. 53838

AUDITORS REPORT

TO

THE MEMBERS OF

KALPENA INDUSTRIES LTD.

- 1) We have audited the attached Balance Sheet of Kalpena Industries Ltd. as at 31st March 2012 and the Profit and Loss Account and the Cash Flow Statement for the year ended on that date annexed thereto. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
- 2) We conducted our audit in accordance with the auditing standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
- 3) As required by the Companies (Auditor's Report) Order, 2003 as amended by the Companies (Auditor's Report) (Amendment) Order 2004 (together the "Order"), issued by the Central Government of India in terms of sub-section (4A) of section 227 of "The Companies Act, 1956 of India (the 'Act') and on the basis of such checks of the books and records of the Company as we considered appropriate and according to the information and explanations given to us, we give in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the Order.
- 4) Further to our comments in the Annexure referred to in paragraph 3 above, we report that :
 - a. We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit.
 - b. In our opinion, proper books of account as required by law have been kept by the company so far as appears from our examination of those books.
 - c. The Balance Sheet and Profit and Loss Account and Cash Flow Statement dealt with by this report are in agreement with the books of account;
 - d. In our opinion, Balance Sheet, Profit and Loss Account dealt with by this report comply with the accounting standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956.
 - e. On the basis of written representations received from the directors, as on 31st March 2012 and taken on record by the Board of Directors, we report that none of the directors is disqualified as on 31st March 2012 from being appointed as a director in terms of clause (g) of sub-section (l) of section 274 of the Companies Act, 1956.
 - f. In our opinion and to the best of our information and according to the explanations given to us, the said accounts give the information required by the Companies Act, 1956 in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India;
 - i. in the case of the Balance Sheet, of the state of affairs of the Company as at 31st March 2012 and
 - ii. in the case of the Profit and Loss Account, of the Profit for the year ended on that date.
 - iii. in the case of the Cash Flow Statement, of the cash flows for the year ended on that date.

For **D.C. DHAREWA & CO.**
Firm Registration No. 322617E
CHARTERED ACCOUNTANTS,

(D.C. DHAREWA)
PROPRIETOR.
(MEMBERSHIP NO. 53838)

Date : 24th August, 2012

Annexure referred to in paragraph 3 of the Auditors Report of even date to the members of Kalpena Industries Ltd. on the accounts of for the year ended 31st March 2012.

- i) a) The company is generally maintaining proper records showing full particulars including quantitative details and situation of Fixed Assets.
b) As per the information and explanation given to us, fixed assets are physically verified by the management during the year, which in our opinion, is reasonable having regard to the size of the company and the nature of its assets. The discrepancies noticed on such verification were not material.
c) There was no substantial disposal of the Fixed Assets.
- ii) a) As explained to us, the inventories of the company except stock in transit, have been physically verified by the management at reasonable intervals.
b) In our opinion and according to the information and explanations given to us, the procedure of physical verification of inventories followed by the management is reasonable and adequate in relation to the size of the company and nature of its business.
c) The company is maintaining proper records of inventory. The discrepancies noticed on verification between the physical stocks and the book records were not material having regard to the size of operation of the company and have been dealt with in the books of accounts.
- iii) a) According to information and explanations given to us, the Company has not granted any loans, secured or unsecured, to companies, firms or other parties listed in the Register maintained under Section 301 of the Act.
b) According to information and explanations given to us, the Company has not taken any loans, secured or unsecured, from companies, firms or other parties listed in the Register maintained under Section 301 of the Act.
- iv) In our opinion and according to the information and explanations given to us, having regard to the explanation that some of the products of the company are of special nature and suitable alternative sources are not readily available for obtaining comparable quotations, there is generally an adequate internal control system commensurate with the size of the company and the nature of its business with regard to purchase of inventory and fixed assets and the sale of goods and services. Read with the above, during the course of our audit, we have not observed any major weakness or continuing failure to correct any major weakness in the internal control system of the company in respect of these areas.
- v) In our opinion and according to the information and explanations provided by the management, we are of the opinion that there are no contracts or arrangements that need to be entered into the register maintained under section 301 of the Companies Act, 1956.
- vi) The Company has not accepted any deposit from public in terms of section 58A and 58AA and the relevant provisions of the Companies Act, 1956.
- vii) In our opinion, the Company has an internal audit system commensurate with the size and nature of its business.
- viii) We have broadly reviewed the books of accounts maintained by the company in respect of product, where pursuant to the rules need by the central government of India, the maintenance of cost records has been prescribed under clause (d) of subsection (1) of sec 209 of the Act and are of the opinion that prima facie, the prescribed accounts and records have being made and maintained. We have not, however, made a detail examination of the record with a view to determine wheter they are accurate or complete.
- ix) a) According to the information and explanations given to us and the records of the Company examined by us, in our opinion, the Company is generally regular in depositing the undisputed statutory dues including provident fund, investor education and protection fund, employees' state insurance, income-tax, sales-tax, wealth tax, service tax, custom duty, excise duty, cess and other material statutory dues as applicable, with the appropriate authorities. As at 31st March' 2012, there were no arrears in respect of the aforesaid dues for a period of more than six months from the date they became payable.

- b) According to the information and explanations given to us and the records of the Company examined by us, the particulars of dues of income-tax, sales-tax, wealth tax, service tax, customs duty, excise duty and cess as applicable as at 31st March' 2012, which have not been deposited on account of a dispute are as follows -

Name of Statute	Nature of Dues	Amount (Rs. In Thousands)	Period of which the amount relates	Forum where dispute is pending
Excise Act	Excise Duty	2,935	F.Y. 1996-97	CEGAT
Value Added Tax	Value Added Tax	44,705 6,093 34,441	F.Y. 2004-05 F.Y. 2005-06 F.Y. 2006-07	Jt. Comm. of Sales Tax, Beliaghata, Kolkata
Central Sales Tax	Central Sales Tax	6,912 21,757 10,110	F.Y. 2004-05 F.Y. 2005-06 F.Y. 2006-07	Jt. Comm. of Sales Tax, Beliaghata, Kolkata

- x) There are no accumulated losses of the company. The company has not incurred cash losses during the financial year covered by our audit and the immediately preceding financial year.
- xi) In our opinion and according to the information and explanations given to us, the company has not defaulted in repayment of dues to a financial institution and banks as at the Balance Sheet date.
- xii) The Company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
- xiii) The provisions of any special statute applicable to chit fund / nidhi / mutual benefit fund / societies are not applicable to the Company.
- xiv) In our opinion the company, is not dealing in or trading in shares, securities, debentures and other investments.
- xv) In our opinion and according to the information and explanations given to us, the Company has not given any guarantee for loan taken by others from bank or financial institution during the year.
- xvi) According to the information & explanation given to us, the Term Loan are being applied by the company for the purpose for which the loan were obtained.
- xvii) According to the information and explanations given to us, on an overall examination of the balance sheet of the company, we report that the no funds raised on short-term basis have been used for long-term investment.
- xviii) The Company has not made any preferential allotment of shares to parties and companies covered in the register maintained under Section 301 of the Act during the year.
- xix) There are no debentures issued and outstanding at the year end.
- xx) The Company has not raised any money by public issue during the year.
- xxi) According to the information and explanations given to us and representations made by management and based upon the audit procedures performed, we report that no fraud on or by the company has been noticed or reported during the course of our audit.

For **D.C. DHAREWA & CO.**
Firm Registration No. 322617E
CHARTERED ACCOUNTANTS,

(D.C. DHAREWA)
PROPRIETOR.
(MEMBERSHIP NO. 53838)

Date : 24th August, 2012

BALANCE SHEET AS AT 31ST MARCH, 2012

(₹ in Lacs)

	Note	As at March 31st, 2012		As at March 31st, 2011	
EQUITY AND LIABILITIES					
Shareholder's Funds					
Share Capital	2	1,881.46		1,849.46	
Share Capital Suspense	2A	–		32.00	
Reserve and Surplus	3	<u>18,088.50</u>		<u>16,159.51</u>	
			19,969.96		18,040.97
Non-current liabilities					
Long-term borrowings	4	5,415.63		4,090.62	
Deferred tax liabilities (Net)	5	1,162.07		1,005.34	
Long-term provisions	6	21.06	<u>6,598.76</u>	26.18	<u>5,122.14</u>
Current liabilities					
Short-term borrowings	7	15,919.38		11,790.02	
Trade payables	8	6,526.38		5,169.09	
Other current liabilities	9	4,304.87		1,117.24	
Short-term provisions	10	499.33	<u>27,249.96</u>	500.03	<u>18,576.37</u>
TOTAL			<u>53,818.68</u>		<u>41,739.48</u>
ASSETS					
Non-current assets					
Fixed assets					
	11				
Tangible assets		11,029.84		9,588.31	
Intangible assets		48.47		59.64	
Capital work-in-progress		1,596.43		302.60	
Non-current investments	12	253.60		253.60	
Long-term loans and advances	13	4,306.70		1,944.01	
Other non-current assets	14	322.92	<u>17,557.96</u>	257.79	<u>12,405.95</u>
Current assets					
Inventories	15	8,731.94		7,520.93	
Trade receivables	16	21,575.06		17,257.81	
Cash and Bank Balances	17	1,694.19		1,647.10	
Short-term loans and advances	18	4,227.90		2,791.60	
Other current assets	19	31.63	<u>36,260.72</u>	116.07	<u>29,333.52</u>
TOTAL			<u>53,818.68</u>		<u>41,739.47</u>

Significant accounting policies 1

The accompanying notes are an integral part of the financial statement.

This is the Balance Sheet referred to in our report of even date.

For D. C. Dharewa & Co.
Chartered Accountants
Firm Registration No:322617E

D. C. Dharewa
Proprietor
Membership No.53838
Date : 24th August, 2012
Place : Kolkata

For and on behalf of Board of Directors
Narrindra Suranna
Chairman and Managing Director

Rajesh Kumar Kothari Indranil Dasgupta
Whole Time Director Whole Time Director

A. B. Chakrabartty
Company Secretary

STATEMENT OF PROFIT AND LOSS FOR THE YEAR ENDED 31ST MARCH, 2012

(₹ in Lacs)

	Note	Year Ended March 31st, 2012	Year Ended March 31st, 2011
INCOME			
REVENUE FROM OPERATIONS	22	97,728.60	90,344.32
Less: Excise duty		6,689.57	6,037.84
Revenue from operations (net)		91,039.03	84,306.48
Other Income	23	284.19	451.99
Total Revenue		91,323.22	84,758.47
EXPENSES			
Cost of materials consumed	24	77,832.39	71,846.46
Changes in inventories of finished goods	25	(592.94)	178.38
Employee benefits expense	26	1,085.34	896.06
Finance costs	27	1,685.62	1,298.81
Depreciation and amortization expense		897.81	719.75
Less: Depreciation on amount added on revaluation		14.29	14.34
Other expenses	28	7,210.16	7,056.64
Total expenses		88,104.09	81,981.75
Profit before exceptional and extraordinary items and tax		3,219.13	2,776.72
Exceptional & extraordinary items			
Profit before tax		3,219.13	2,776.72
Tax expense:			
Current Tax Expenses		638.04	560.00
Less: Minimum Alternate Tax Credit		-	-
Tax adjustments of previous year, net		-	37.52
Deferred Tax		156.73	265.98
Profit for the year		2,424.36	1,913.22
Earnings per equity share: (Refer note no.29)		<i>Rs.</i>	<i>Rs.</i>
Basic		12.99	11.71
Diluted		12.99	11.71

Significant accounting policies 1

The accompanying notes are an integral part of the financial statement.

This is the Statement of Profit & Loss referred to in our report of even date.

For **D. C. Dharewa & Co.**
Chartered Accountants
Firm Registration No:322617E

D. C. Dharewa
Proprietor
Membership No.53838
Date : 24th August, 2012
Place : Kolkata

For and on behalf of Board of Directors
Narrindra Suranna
Chairman and Managing Director

Rajesh Kumar Kothari **Indranil Dasgupta**
Whole Time Director Whole Time Director

A. B. Chakrabartty
Company Secretary

CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH, 2012

(₹ in Lacs)

	Year Ended March 31st, 2012	Year Ended March 31st, 2011
A) CASH FLOW FROM OPERATING ACTIVITIES		
Net Profit before Tax & Extra Ordinary Items	3,219.13	2,776.72
Add: Depreciation	883.52	705.41
Loss on Sale of Fixed Assets	-	-
Bad debts / Advances Written off	-	4.24
Preliminary Expenses W/Off	0.03	0.03
Provision for wealth tax	-	1.37
Finance Costs	1,685.62	1,298.81
	2,569.17	2,009.85
	5,788.30	4,786.57
Less: Interest Income	169.70	100.48
Profit on Sale of Fixed Assets	0.24	8.39
Liabilities written back to the extent no longer required	11.03	-
Foreign Currency Fluctuation Gain (Notional)	83.69	1.26
	264.66	110.13
Operating Profit before Working Capital Changes	5,523.64	4,676.44
Adjustment for:		
Trade and Other Receivables	(5,761.10)	(4,328.26)
Inventories	(1,211.01)	(1,723.31)
Trade payables and other liabilities	1,459.61	1,476.76
	(5,512.50)	(4,574.81)
Cash Generated before Extra Ordinary Items	11.14	101.63
Extra Ordinary Items	-	-
Cash Generated from Operations	11.14	101.63
Direct Tax paid (net of refunds)	(627.81)	(625.81)
Net Cash Generated from Operating Activities (A)	(616.67)	(524.18)
B) CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of tangible/intangible assets	(1,071.52)	(2,010.81)
Advance towards purchase of Fixed Assets	(2,342.00)	(1,841.27)
Sale of fixed assets	4.48	36.97
Purchase of Investments	-	(50.45)
Interest Received	254.11	17.86
Net Cash Generated from Investing Activities (B)	(3,154.93)	(3,847.70)
C) CASH FLOW FROM FINANCING ACTIVITIES		
Issue of Share Warrants	-	3,600.00
Proceeds from Long Term Borrowings	1,806.31	4,137.86
Short Term Borrowings (net)	4,171.36	(1,232.70)
Interest Paid	(1,685.62)	(1,298.81)
Dividend Paid (Including Tax on Dividend)	(473.35)	(284.94)
Net Cash Generated from Financing Activities (C)	3,818.70	4,921.40

CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH, 2012

(₹ in Lacs)

	Year Ended March 31st, 2012	Year Ended March 31st, 2011
Net Increase / (Decrease) in Cash & Cash Equivalents (A+B+C)	47.09	549.52
Cash and Cash equivalents at the beginning of the year	1,647.10	972.08
Cash & Cash Equivalents taken over consequent upon amalgamation	-	125.50
Cash and Cash equivalents at the end of the year	1,694.19	1,647.10

NOTES:

- 1 The above cash flow statement has been prepared under the 'Indirect Method' as set out in the Accounting Standard - 3 on cash Flow Statements issued by the Institute of Chartered Accountants of India
- 2 Previous Year's figures have been regrouped where necessary to conform to the current year's classification.
- 3 Cash and cash equivalents comprise of:

<i>Cash on Hand</i>	34.55	25.48
Balances with scheduled banks:		
- <i>In Current Accounts</i>	372.47	391.26
- <i>In EEFC Accounts</i>	279.95	397.23
- <i>In Margin & Guarantee Deposit Accounts*</i>	953.01	786.63
- <i>In Unpaid Dividend Account*</i>	54.21	46.50
	1,694.19	1,647.10

* Balances not available for use by the Company

This is the Cash Flow Statement referred to in our report of even date.

For **D. C. Dharewa & Co.**
Chartered Accountants
Firm Registration No:322617E

D. C. Dharewa
Proprietor
Membership No.53838
Date : 24th August, 2012
Place : Kolkata

For and on behalf of Board of Directors
Narrindra Suranna
Chairman and Managing Director

Rajesh Kumar Kothari **Indranil Dasgupta**
Whole Time Director Whole Time Director

A. B. Chakrabartty
Company Secretary

Notes to the financial statements for the year ended 31st March, 2012

1. SIGNIFICANT ACCOUNTING POLICIES

i) Basis of Preparation of Financial Statements

These financial statements have been prepared in accordance with the generally accepted accounting principles in India under the historical cost convention on accrual basis, except for certain tangible assets which are being carried at revalued amounts. These financial statements have been prepared to comply in all material aspects with the accounting standards notified under Section 211(3C) [Companies (Accounting Standards) Rules, 2006, as amended] and the other relevant provisions of the Companies Act, 1956.

All assets and liabilities have been classified as current or non-current as per the Company's normal operating cycle and other criteria set out in the revised Schedule VI to the Companies Act, 1956. Based on the nature of products and the time between the acquisition of assets for processing and their realisation in cash and cash equivalents, the Company has ascertained its operating cycle as 12 months for the purpose of current – non current classification of assets and liabilities.

ii) Use of Estimates

The preparation of Financial Statements in conformity with the Generally Accepted Accounting Principles (GAAP) requires Management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent liabilities at the date of the Financial Statement and the result of the operations during the reporting year end. Although these assumptions are made as per the Management's best knowledge of current events and actions, actual result may differ from these estimates.

iii) Tangible Fixed Assets

Fixed Assets including capital work in progress are stated at acquisition cost, net of accumulated depreciation and accumulated impairment losses, if any. Cost comprises purchase price, borrowing cost if capitalisation criteria are met and directly attributable cost of bringing the assets to its working condition for the intended use. Pre-operation expenses including trial run expenses (net of revenue) are capitalised. Net charges on foreign exchange contracts and adjustments arising from exchange rate variations attributable to the fixed assets are capitalised.

Subsequent expenditures related to an item of fixed asset are added to its book value only if they increase the future benefits from the existing asset beyond its previously assessed standard of performance.

Losses arising from the retirement of, and gains or losses arising from disposal of fixed assets which are carried at cost are recognised in the Statement of Profit and Loss.

iv) Intangible Assets

Intangible assets are stated at cost of acquisition less accumulated amortisation and accumulated impairment loss, if any.

An intangible asset is recognised if it is probable that the expected future economic benefits that are attributable to the asset will flow to the Company and its cost can be measured reliably. Intangible assets having finite useful lives are amortised on a straight-line basis over their estimated useful lives.

Gains or losses arising from the retirement or disposal of an intangible asset are determined as the difference between the net disposal proceeds and the carrying amount of the asset and recognised as income or expense in the Statement of Profit and Loss.

v) Depreciation and Amortisation

Depreciation includes amortisation. Depreciation on Tangible Fixed Assets has been provided on the Straight Line Method at the rates prescribed under Schedule XIV of the Companies Act, 1956 on prorata basis with reference to the date of addition. Technical Know How is amortised over a period of five years

Notes to the financial statements for the year ended 31st March, 2012

on straight line basis beginning from the financial year 2010-11 and Computer Software is amortised on straight line basis over a period of ten years.

vi) Impairment of Tangible and Intangible Assets

Impairment loss, if any, is provided to the extent, the carrying amount of assets exceeds their recoverable amount. Recoverable amount is higher of an asset's net selling price and its value in use. Value in use is the present value of estimated future cash flows expected to arise from the continuing use of an asset and from its disposal at the end of its useful life.

The impairment loss recognised in prior accounting period is reversed if there has been a change in the estimate of recoverable amount.

vii) Revenue Recognition:

Sales are recognised when the substantial risks and rewards of ownership in the goods are transferred to the buyer as per the terms of the contract, and includes raw material sales & remission of Central Sales Tax and Vat Amount. Jobs charges is recognised as per terms of contract. Sales includes amounts recovered towards excise duty and are net of returns. Revenue from sale of scrap is recognised as and when scrap is sold.

Other income and expenditure are recognised and accounted on accrual basis.

viii) Foreign currency Transactions

Transactions denominated in foreign currencies are recorded at the exchange rate prevailing on the date of the transaction or that approximates the actual rate at the date of the transaction.

Monetary items denominated in foreign currencies at the year end are restated at year end rates. In case of items which are covered by forward exchange contracts, the difference between the year end rate and rate on the date of the contract is recognised as exchange difference and the premium paid on forward contracts is recognised over the life of the contract.

Non monetary foreign currency items are carried at cost.

Any income or expense on account of exchange difference either on settlement or on translation is recognised in the Profit and Loss account except in case of long term liabilities, where they relate to acquisition of fixed assets, in which case they are adjusted to the carrying cost of such assets.

ix) Financial Derivatives Hedging Transactions

In respect of derivative contracts, premium paid, gains / losses on settlement and losses on restatement are recognised in the Profit and Loss account except in case where they relate to the acquisition or construction of fixed assets, in which case, they are adjusted to the carrying cost of such assets. Derivatives contracts outstanding at the Balance Sheet date are marked to market and resulting loss, if any, is provided for in the financial statements.

x) Investments

Investments that are readily realisable and are intended to be held for not more than one year from the date on which such investments are made, are classified as current investments. All other investments are classified as long-term investments. Long Term Investments are stated at cost less written down for any diminution, other than temporary, in carrying value. Current investments are stated at lower of cost and quoted value.

xi) Inventories

Raw materials and Stores & spareparts: Inventories are valued at cost or net realisable value whichever is lower. Cost is determined by using the Weighted average method. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale.

Notes to the financial statements for the year ended 31st March, 2012

Finished Goods: Inventories are valued at lower of cost and net realisable value. Finished goods include cost of conversion and other cost incurred for bringing the inventories to their present location and condition.

xii) Retirement and other Employee Benefits

Short-term Employee Benefits (i.e. benefits payable within one year) are recognised in the period in which employee services are rendered.

Contribution towards provident funds are recognised as expenses and are made to government administered provident fund towards which the Company has no further obligations beyond its monthly contribution. Liability towards gratuity, covering eligible employees on the basis of year-end actuarial valuation is recognised as a charge.

Accrued liability towards leave encashment benefits, covering eligible employees' is recognised as charge. Contribution to Central Government administered Employees' State insurance Scheme for eligible employees is recognised as charge. Super Annuation benefit scheme is not existing in the company at present.

xiii) Borrowing Cost

Borrowing cost that are directly attributable to acquisition and construction of qualifying asset are capitalised as part of the cost of such asset upto the date the asset is put to use. All other borrowing cost are charged to revenue on accrual basis unless otherwise stated.

xiv) Current and deferred tax

Provision for current income tax is made in accordance with the provisions of the Income-tax Act, 1961.

Minimum Alternative Tax credit is recognised as an asset only when and to the extent there is convincing evidence that the company will pay normal income tax during the specified period.

Deferred tax resulting from "timing difference" between taxable and accounting income is accounted for using the tax rates and laws that are enacted or substantively enacted as on the balance sheet date. Deferred tax asset is recognised and carried forward only to the extent that there is a virtual certainty that the asset will be realised in future.

Provision for wealth tax liability is estimated in accordance with Wealth Tax Act, 1957

xv) Provisions and Contingent Liabilities

A provision is recognised when there is a present obligation as a result of a past event, it is probable that an outflow of resources will be required to settle the obligation and in respect of which reliable estimate can be made.

Contingent liabilities are disclosed when there is a possible obligation arising from past events, the existence of which will be confirmed only by the occurrence or non occurrence of one or more uncertain future events not wholly within the control of the company or a present obligation that arises from past events where it is either not probable that an outflow of resources will be required to settle or a reliable estimate of the amount cannot be made.

xvi) Earnings per Share

Basic earnings per share is calculated by dividing the net profit or loss for the period after deducting any attributable tax thereto for the period by the weighted average number of equity shares outstanding during the period. For the purpose of calculating diluted earnings per share, the net profit or loss for the period attributable to equity shareholders and the weighted average number of shares outstanding during the period is adjusted for the effects of all dilutive potential equity shares.

Notes to the financial statements for the year ended 31st March, 2012

(₹ in Lacs)

	As at March 31st, 2012	As at March 31st, 2011
2. SHARE CAPITAL		
Authorised		
3,06,00,000 (Previous Year : 3,06,00,000) Equity Shares of ₹ 10/-each	<u>3,060.00</u>	<u>3,060.00</u>
Issued, Subscribed & Paid Up		
1,88,14,586 (Previous Year : 1,84,94,586) Equity Shares of ₹ 10/- each	<u>1,881.46</u>	<u>1,849.46</u>
	<u>1,881.46</u>	<u>1,849.46</u>

i) Terms/ Rights attached to Equity Shares:

The Company has only one class of shares referred to as equity shares having a par value of ₹ 10/-. Each holder of equity shares is entitled to vote per share. In the event of liquidation, the equity shareholders are eligible to receive the remaining assets of the company, after distribution of all preferential amount, in proportion of their shareholding.

The dividend proposed by the Board of Directors is subject to the approval of shareholders in the ensuing Annual General Meeting.

During the year ended 31 March, 2012, the amount of per share dividend recognised as distribution to equity shareholders was ₹ 2.20

ii) Reconciliation of the number of shares**Equity Shares:**

	Number of Shares	Amount	Number of Shares	Amount
Balance as at the beginning of the year	18,494,586	1,849.46	11,553,600	1,155.36
Add: Shares issued against Convertible Share Warrants	-	-	6,000,000	600.00
Add: Shares issued in the ratio of 1:10 to the shareholders of Alkom Speciality Compounds Ltd. pursuant to a Scheme of amalgamation without payment being received in Cash.	-	-	940,986	94.10
Add: Shares issued in the ratio of 2:3 to the shareholders of Bavaria Poly Pvt. Ltd. pursuant to a Scheme of amalgamation without payment being received in Cash.	320,000	32.00	-	-
Balance as at the end of the year	<u>18,814,586</u>	<u>1,881.46</u>	<u>18,494,586</u>	<u>1,849.46</u>

iii) Details of equity shares held by shareholders holding more than 5% shares:

Name of Share Holder	Number of Shares	% holding	Number of Shares	% holding
Shriram Financial Consultants Pvt. Ltd	8,957,034	47.61%	8,957,034	48.43%
Shyambaba Trexim Pvt. Ltd.	3,110,336	16.53%	3,110,336	16.82%
Subh Labh Vintrade Pvt. Ltd.	1,550,000	8.24%	1,550,000	8.38%
Inbara Holdings Pvt. Ltd.	1,450,000	7.71%	1,450,000	7.84%

Notes to the financial statements for the year ended 31st March, 2012

(₹ in Lacs)

iv) Shares reserved for issuance:

Towards merger pursuant to scheme of Amalgamation. — 320,000

v) Shares allotted as fully paid up pursuant to contract(s) without payment being received in cash during the period of five years immediately preceding the reporting date:

Number of Equity Shares of ₹ 10/- each allotted as fully paid up pursuant to contract (Scheme of Amalgamation/ Arrangements) without payment being received in Cash) 5,214,586 4,894,586**2A. SHARE CAPITAL SUSPENSE**Nil (Previous Year 3,20,000) Equity shares of Rs 10/- each to be issued as fully paid up due to merger of Bavaria Poly Pvt. Ltd. pursuant to scheme of Amalgamation. — 32.00

	As at March 31st, 2012	As at March 31st, 2011	
3. RESERVE AND SURPLUS			
Capital Reserve (As per last Balance Sheet)	12.91	12.91	
Securities Premium Account			
Balance as at the beginning of the year	5,322.45	312.95	
Add: Amount received on allotment of equity shares against Convertible Share Warrants	—	4,200.00	
	<u>5,322.45</u>	<u>4,512.95</u>	
Add: Taken over pursuant to scheme of amalgamation	— 5,322.45	809.50	5,322.45
Amalgamation Reserve			
Balance as at the beginning of the year	840.05	821.80	
Add: Addition pursuant to scheme of arrangements	— 840.05	18.25	840.05
Revaluation Reserve			
Balance as at the beginning of the year	226.03	240.37	
Less: Depreciation arising out of revaluation	14.29	14.34	226.03
General Reserve			
Balance as at the beginning of the year	2,143.18	1,743.18	
Add: Transfer from Surplus in Statement of Profit and Loss during the year	400.00	400.00	2,143.18
Surplus in Statement of Profit and Loss			
Balance as at the beginning of the year	7,614.88	6,663.97	
Add/(Less): Balance Brought Forward from amalgamating Company	—	(81.22)	
Add: Profit for the year	2,424.35	1,913.22	
	<u>10,039.24</u>	<u>8,495.96</u>	
Less: Appropriation			
Proposed Dividend on Equity Shares	413.92	413.92	
Tax on Proposed Dividend	67.15	67.15	
Transferred to General Reserve	400.00	400.00	7,614.89
	<u>9,158.17</u>	<u>400.00</u>	
	18,088.50	16,159.51	

Notes to the financial statements for the year ended 31st March, 2012

		(₹ in Lacs)		
4. LONG TERM BORROWINGS	<u>Non Current</u>	<u>Current</u>	<u>Non Current</u>	<u>Current</u>
Secured				
Term Loan from Banks	<u>5,415.63</u>	<u>1,175.00</u>	4,090.62	690.63
	<u>5,415.63</u>	<u>1,175.00</u>	4,090.62	690.63
i) Terms of repayment of long-term borrowings are as follows:				
<u>Term Loans from Banks</u>				
a) USD 8.75 million equivalent to ₹ 4090.62 lacs (31.03.2011: USD 10 million equivalent to ₹ 4675 lacs) loan is secured by exclusive charge on existing movable and immovable assets of Bhasa Unit in Kolkata and Silvassa Unit-I, Exclusive charge on all movable fixed assets of Kandua Unit, Kolkata, Exclusive charge on all movable assets of Bhiwadi Unit. and is repayable in 16 equal quarterly installments; the next installment is due on 30th May, 2012.				
b) Indian rupee loan amounting ₹ 2500 lacs (31.03.2011: ₹ Nil) is secured by exclusive charge on movable and immovable assets of Dankuni Unit in Kolkata and is repayable in 16 equal quarterly installments commencing from June 2013.				
c) Indian rupee loan amounting ₹ Nil (31.03.2011: ₹ 100 lacs) are secured by first charge created by way of mortgage of company's Land and Building and other fixed assets located at D-403, Dharam Palace, CHS limited, Shantivana, Borivalli (E), Mumbai-400066, on first Pari-passu basis and was repaid in financial year 2011-12.				
d) Indian rupee loan amounting ₹ Nil (31.03.2011: ₹ 5.67 lacs) is secured by Hypothecation against Motor Car and was repaid in financial year 2011-12.				
5. DEFERRED TAX LIABILITIES (NET)				
Deferred tax liability				
Related to fixed assets		1,148.80		1,016.48
Deferred tax asset				
Disallowances under the Income Tax Act, 1961		13.27		11.15
Net Deferred tax liability		<u>1,162.07</u>		<u>1,005.33</u>
6. LONG-TERM PROVISIONS				
Provision for employee benefits:				
Provision for gratuity (net) (Refer Note 30.4.b)		21.06		26.18
		<u>21.06</u>		<u>26.18</u>
7. SHORT-TERM BORROWINGS				
<u>Secured</u>				
Loan repayable on demands				
From Banks*		15,919.38		11,198.48
<u>Unsecured</u>				
From other parties		-		591.54
		<u>15,919.38</u>		<u>11,790.02</u>

* Includes Buyers Credit and Packing Credit

Working Capital Loans from Banks are secured by way of hypothecation of stocks of raw materials, work-in-progress, finished goods, stores & spares and book debts of the Company. Mortgage of Flat located at D-403, Dharam Palce, CHS limited, Shantvaan, Borivalli (E) , Mumbai-400066, on First Pari-passu basis. These loans are further secured by a second charge over the residual value on the Fixed assets of the units both present and future located at the Dabhel Industrial area, Daman and others.

Notes to the financial statements for the year ended 31st March, 2012

(₹ in Lacs)

8. TRADE PAYABLES

Acceptances - Secured (Refer Note (i) below)	1,466.03	1,933.14
Sundry Creditors (Refer Note (ii) & (iii) below)	5,060.35	3,235.95
	<u>6,526.38</u>	<u>5,169.09</u>

i) Secured by way of hypothecation of stocks & book debts in favour of the company's bankers

ii) Sundry Creditors:

Sundry creditors for goods	4,523.92	2,618.06
Sundry creditors for expenses	536.43	617.89
	<u>5,060.35</u>	<u>3,235.95</u>

iii) There are no Micro and Small Enterprises, to whom the Company owes dues, which are outstanding for more than 45 days as at 31st March, 2012. This information as required to be disclosed under the Micro, Small and Medium Enterprises Development Act, 2006 has been determined to the extent such parties have been identified on the basis of information available with the Company.

9. OTHER CURRENT LIABILITIES

Current maturities of Long term debt (Refer Note No.4)	1,175.00	690.63
Unpaid Dividend (Refer Note (i) below)	54.22	46.50
Statutory dues including provident fund and tax deducted at source	34.04	29.53
Creditors for Capital Expenditure	2,774.88	220.15
Advance from customers	46.35	83.72
Overdrawn Bank balance	-	0.32
Other Liabilities	220.38	46.39
	<u>4,304.87</u>	<u>1,117.24</u>

There are no amounts due for payment to the Investor Education and Protection Fund Under Section 205C of the Companies Act, 1956 as at the year end.

10. SHORT- TERM PROVISIONS**Provision for employee benefits:**

Provision for compensated absences (Not funded)	18.26	18.96
---	-------	-------

Provision - Others:

Provision for proposed dividend on equity shares	413.92	413.92
Provision for tax on proposed dividends	67.15	67.15
	<u>499.33</u>	<u>500.03</u>

Notes to the financial statements for the year ended 31st March, 2012

NOTE - 11**FIXED ASSETS**

(₹ in Lacs)

Description	Gross Block				Depreciation / Amortisation				Net Block	
	As at 01-04-2011	Addition during the year	Sales during the year	As at 31-03-2012	As at 01-04-2011	For the year	Adjustment for Sales	As at 31-03-2012	As at 31-03-2012	As at 31-03-2011
TANGIBLE ASSETS:										
Free hold land	264.10	1,508.83	-	1,772.94	-	-	-	-	1,772.94	264.10
Factory Building	3,034.91	114.46	-	3,149.37	431.20	101.45	-	532.65	2,616.72	2,603.71
Plant & Machinery	7,876.04	478.30	0.66	8,353.68	2,337.87	636.61	-	2,974.48	5,379.20	5,538.17
Furniture & Fixture	103.68	22.53	-	126.21	27.19	7.38	-	34.56	91.64	76.49
Motor Car	225.81	77.01	11.40	291.41	52.00	25.45	7.85	69.61	221.80	173.80
Scooter, Moped & Cycle	3.79	0.46	0.03	4.22	2.50	0.36	0.00	2.86	1.37	1.29
Laboratory Equipment	149.52	10.19	-	159.71	104.23	11.55	-	115.78	43.92	45.29
Electrical Installation	1,031.33	95.97	-	1,127.30	244.88	80.01	-	324.89	802.41	786.44
Office Equipment	90.62	4.26	-	94.89	38.92	6.66	-	45.58	49.31	51.71
Air Conditioner	34.67	6.70	-	41.37	9.81	1.79	-	11.61	29.77	24.86
Computer	88.72	13.72	-	102.44	66.27	15.40	-	81.67	20.77	22.45
Total (A)	12,903.19	2,332.43	12.09	15,223.53	3,314.88	886.66	7.85	4,193.68	11,029.84	9,588.31
INTANGIBLE ASSETS:										
Technical Knowhow	40.90	-	-	40.90	8.18	8.18	-	16.36	24.54	32.72
Computer Software	29.92	-	-	29.92	2.99	2.99	-	5.98	23.93	26.93
Total (B)	70.81	-	-	70.81	11.17	11.17	-	22.34	48.47	59.64
Total (A+B)	12,974.01	2,332.43	12.09	15,294.34	3,326.05	897.83	7.85	4,216.03	11,078.31	9,647.96
Previous Year										
Capital Work-in-Progress									1,596.43	302.60

There was no impairment loss on Fixed Assets on the basis of review carried out by management in accordance with Accounting Standard issued by the Institute of Chartered Accountants of India.

Notes to the financial statements for the year ended 31st March, 2012

(₹ in Lacs)

12. <u>NON-CURRENT INVESTMENTS</u>	Face Value Rs.	As at March 31st, 2012		As at March 31st, 2011	
		No. of Shares	Amount	No. of Shares	Amount
A) Trade investments					
i) Investments in Equity instruments of other entities					
Quoted					
Kalpena Plastiks Limited	10/-	2,002,920	200.29	2,002,920	200.29
B) Other Investments					
i) Investments in Equity instruments of other entities					
Quoted					
Dena Bank	10/-	14	0.00*	14	0.00
Nicco Corporation Ltd.*	2/-	826,194	50.65	826,194	50.65
Unquoted					
Sterling Resorts Ltd.		-	1.31	-	1.31
Panchawati Holiday Resorts Ltd.	10/-	9,400	0.94	9,400	0.94
ii) Investments in Government or trust securities					
7 Year National Saving Certificate		-	0.30	-	0.30
Indira Vikash Patra		-	0.00	-	0.00
5.5 Year Kissan Vikash Patra		-	0.10	-	0.10
			<u>253.59</u>		<u>253.60</u>
Aggregate Book Value of Investments					
Quoted			250.95		250.95
Unquoted			2.65		2.65
			<u>253.60</u>		<u>253.60</u>
Aggregated Market Value of quoted Investments			<u>572.88</u>		<u>534.80</u>

* Amount is below the rounded off norms as adopted by the company.

- i) In the opinion of the management, the decline in the market value of a quoted investment (other than trade) (carrying cost ₹ 50.65 lacs) by ₹ 37.6 lacs at the year end is temporary, in the view of the strategic long term nature of the investment and asset base of the investee company and hence, does not call for any provision there against. However, there is no diminution in the value of long term quoted investments, if market value of the investment taken together.
- ii) National Saving Certificates and Kishan Vikas Patra have been lodged with various authorities as margin deposit and security money.

13. LONG TERM LOANS AND ADVANCESUnsecured, Considered Good

Capital advances	4,183.27	1,841.27
Security Deposits	123.43	102.74
	<u>4,306.70</u>	<u>1,944.01</u>

14. OTHER NON-CURRENT ASSETS

Balances with banks*	322.92	257.79
	<u>322.92</u>	<u>257.79</u>

*Represents bank deposits not due for realisation within 12 months of the balance sheet date.

Notes to the financial statements for the year ended 31st March, 2012

(₹ in Lacs)

	As at March 31st, 2012	As at March 31st, 2011
15. INVENTORIES		
(As taken, valued and certified by the management)		
At cost or net realisable value, whichever is lower		
Raw Materials	5,599.45	4,015.78
Raw Materials in Transit	1,426.22	2,415.33
Finished Goods	1,616.24	1,023.30
Stores & Spares	90.03	66.52
	<u>8,731.94</u>	<u>7,520.93</u>
(i) Details of closing finished goods inventories		
PE Compound	980.07	809.22
PVC Compound	569.46	158.30
Agglomerates	20.21	29.24
Reprocessed Granules	2.60	4.88
Others	43.91	21.67
	<u>1,616.25</u>	<u>1,023.30</u>
16. TRADE RECEIVABLES		
(Unsecured-considered good)		
Outstanding for a period exceeding 6 months from the date they are due for payment	796.40	1,126.86
Others	20,778.66	16,130.95
	<u>21,575.06</u>	<u>17,257.81</u>
17. CASH AND BANK BALANCES		
Cash and Cash Equivalents		
Cash on Hand (As certified by the management)	34.55	25.48
Balances with banks		
In Current Accounts	372.47	391.26
In EEFC Accounts	279.95	397.23
In Margin & Guarantee Deposits	953.01	786.63
In Unpaid Dividend Account	54.21	46.50
	<u>1,694.19</u>	<u>1,647.10</u>
18. SHORT TERM LOANS AND ADVANCES		
(Unsecured -Considered good)		
(Recoverable in cash or kind or for value to be received)		
Prepaid Expenses	46.34	66.99
Balance with Government Authorities	2,841.59	1,384.74
Tax payments (Net of provisions)	27.64	37.87
Inter-corporate deposits	154.20	154.16
Advance to Suppliers	491.35	723.92
Other Loans and Advances*	666.78	423.92
	<u>4,227.90</u>	<u>2,791.60</u>

* Includes loans to employees

Notes to the financial statements for the year ended 31st March, 2012

(₹ in Lacs)

	As at March 31st, 2012	As at March 31st, 2011
19. OTHER CURRENT ASSETS		
Interest accrued on deposits	31.63	116.04
Unamortised expenses		0.03
	<u>31.63</u>	<u>116.07</u>
20. REVENUE FROM OPERATIONS		
Sale of products (Refer Note (i) below);	97,473.85	89,969.80
Other operating revenues (Refer Note (ii) below);	254.75	374.52
	<u>97,728.60</u>	<u>90,344.32</u>
Less : Excise Duty	6,689.57	6,037.84
	<u>91,039.03</u>	<u>84,306.48</u>
(i) Particulars of sale of products:		
PE Compound	56,510.11	49,478.05
PVC Compound	26,524.93	25,305.39
Others	14,438.80	15,186.36
	<u>97,473.84</u>	<u>89,969.80</u>
(ii) Other operating revenues comprise:		
Sale of scrap	120.97	114.43
Job Work Charges	133.77	260.09
	<u>254.74</u>	<u>374.52</u>
21. OTHER INCOME		
Interest Income		
From bank deposits	94.60	72.08
From others	75.10	28.40
Net profit on sale of fixed assets	0.24	8.39
Net gain on foreign currency transaction and translation	81.04	294.98
Insurance Claim received	14.86	23.93
Liabilities written back to the extent no longer required	11.03	-
Other non-operating income	7.32	24.21
	<u>284.19</u>	<u>451.99</u>
22. COST OF MATERIALS CONSUMED		
Raw materials consumed		
LLDPE/ LDPE	37,437.27	32,473.99
PVC Resin	9,815.12	9,519.92
Plastic Scrap	2,306.40	1,663.90
Other items	28,273.60	28,188.65
	<u>77,832.39</u>	<u>71,846.46</u>

Notes to the financial statements for the year ended 31st March, 2012

(₹ in Lacs)

	As at March 31st, 2012	As at March 31st, 2011
23. CHANGES IN INVENTORIES OF FINISHED GOODS, WORK-IN-PROGRESS AND STOCK-IN-TRADE		
Opening inventories of Finished Goods	1,023.30	1,135.61
Add :Stock Taken over pursuant to scheme of amalgamation	-	66.07
	1,023.30	1,201.68
Less: Closing inventories of Finished Goods	1,616.24	1,023.30
Increase/ (Decrease)	(592.94)	178.38
24. EMPLOYEE BENEFITS EXPENSE		
Salaries Wages & Bonus	994.27	793.89
Contribution to Provident and other Funds	26.65	27.01
Gratuity	3.30	22.70
Staff Welfare Expenses	61.12	52.46
	1,085.34	896.06
25. FINANCE COSTS		
Interest expense on Borrowings	1,628.26	1,221.37
Others	2.47	0.28
Other borrowing costs	54.89	77.16
	1,685.62	1,298.81
26. OTHER EXPENSES		
Consumption of stores and spares	241.22	378.54
Power & Fuel	1,663.98	1,243.14
Clearing and Forwarding charges	936.09	628.24
Rent	195.87	84.42
Repair & Maintenance - Building	37.14	17.69
Repair & Maintenance - Machinery	189.85	105.00
Repair & Maintenance - Others	44.31	51.27
Insurance Charges	74.49	64.56
Rates & Taxes	12.39	46.95
Carriage and freight	2,442.19	2,528.47
Payments to auditors (Refer Note (i) below)	4.38	5.75
Directors' Fees	1.57	2.03
Bad debts / Advances Written off	-	4.24
Preliminary Expenses W/Off	0.03	0.03
Miscellaneous expenses (Refer Note (ii) below)	1,366.65	1,896.33
	7,210.16	7,056.64
(i) Auditors' remuneration and expenses		
Audit fees	2.95	2.70
Tax audit fees	0.55	0.55
Fees for other services	0.84	2.50
Reimbursement of out-of-pocket expenses	0.04	-
	4.38	5.75
(ii) Miscellaneous expenses include:		
Net Prior Period Items	13.27	15.49

Notes to the financial statements for the year ended 31st March, 2012

(₹ in Lacs)

	March 31, 2012	March 31, 2011
27. CONTINGENT LIABILITIES		
Particulars		
Bank Guarantee	370.07	487.60
Claims against the company not acknowledged as debts. (Refer Note No.(i) below)		
Sales tax matters	1,240.18	1,240.18
Excise and Customs duty matters	29.35	29.35
Total	<u>1,639.60</u>	<u>1,757.13</u>
(i) Future cash outflows in respect of the above are determinable only on receipt of judgements/ decisions pending with various forums/ authorities		
28. CAPITAL AND OTHER COMMITMENTS		
Capital Commitments		
Estimated value of contracts in capital account remaining to be executed and not provided for (Net of advances)	2,711.32	204.47
Other commitments		
Letter of Credit	5,202.00	6,769.32
Total	<u>7,913.32</u>	<u>6,973.79</u>
29. EARNINGS PER SHARE		
a) Net Profit after Tax for basic earnings per Share		
(Fully Attributable to Equity Share Holders)	2,424.36	1,913.22
Adjustments for the purpose of Diluted earnings per Share	-	-
Net Profit after Tax for Diluted earnings per Share.	2,424.36	1,913.22
b) Weighted average number of equity Shares		
for Earning per Share Computation		
i Number of equity Shares at the beginning of the Year	18,494,586	11,553,600
ii a) Number of equity Shares allotted during the Year	320,000	6,940,986
b) Number of Equity Shares to be allotted on amalgamation.	-	320,000
iii weighted average Number of Equity Shares allotted during the year.	162,192	4,778,794
iv Number of Potential Equity Shares	-	-
a) Basic Earning per Share	18,656,778	16,332,394
b) Diluted Earning per Share	18,656,778	16,332,394
c) Earning Per Share		
i. Basic	12.99	11.71
ii Diluted	12.99	11.71
d) Face Value Per Share	₹ 10	₹ 10

Notes to the financial statements for the year ended 31st March, 2012

(₹ in Lacs)

30. VALUE OF IMPORTED AND INDIGENOUS MATERIALS CONSUMED

Particulars	March 31, 2012		March 31, 2011	
	Value	% of Total Consumption	Value	% of Total Consumption
Raw Materials				
i Imported	27,319	35%	24,825.95	35%
ii Indegenious	50,513	65%	47,020.51	65%
	77,832	100%	71,846.46	100%
Stores, spare parts and components				
i Imported	28.49	12%	2.05	1%
ii Indegenious	212.73	88%	376.49	99%
	241.22	100%	378.54	100%

31. VALUE OF IMPORTS ON CIF BASIS

	<u>March 31, 2012</u>	<u>March 31, 2011</u>
Raw Materials	26,338.10	25,210.40
Stores, spare parts and components	28.49	2.05
Capital Goods	66.42	417.53
	<u>26,433.01</u>	<u>25,629.98</u>

32. EARNING IN FOREIGN CURRENCY (ACCRUAL BASIS)

Exports at F.O.B. Value	12,089.87	6,256.93
Exchange Fluctuation	81.04	294.98
Total	<u>12,170.91</u>	<u>6,551.91</u>

33. EXPENDITURE IN FOREIGN CURRENCY (ACCRUAL BASIS)

Travelling	68.50	20.83
Exhibition	27.46	21.46
Interest	202.29	-
Other matters	8.24	19.65
Total	<u>306.49</u>	<u>61.94</u>

Notes to the financial statements for the year ended 31st March, 2012

34. EMPLOYEE BENEFITS

- i Provision for defined contribution plan viz. Provident and Other Fund amounting to ₹ 26.65 lacs (Previous Year ₹ 27.01 lacs) has been charged to the Profit and Loss Account during the year.
- ii Description of type of employee benefits: The Company offers to its employees defined benefits plans in the form of Gratuity and leave encashment. Fund is created for payment of gratuity. However, no fund is created for payment of leave wages, the Company would pay the same out of its own funds as and when the same becomes payable.

(₹ in Lacs)

Particulars	March 31, 2012	March 31, 2011
Changes in present value of obligation		
Present value of obligation as at beginning of the year	80.69	56.65
Add: Present obligation of transferor company	-	0.36
Interest cost	6.49	4.70
Current service cost	12.14	12.48
Past Service Cost	-	-
Benefits paid	(6.17)	(1.03)
Actuarial (gain) / loss on obligation	(11.62)	7.53
Present value of obligation as at end of the year	81.52	80.69
Changes in fair value of plan assets		
Fair value of plan assets at the beginning of the year	54.51	-
Expected return on plan assets	4.60	2.10
Contributions	7.68	53.53
Benefits paid	(6.17)	(1.03)
Actuarial (loss) / gain	(0.16)	(0.09)
Fair value of plan assets at the end of the year	60.46	54.51
Present value of the Defined Benefit Obligation and the fair value of Plan Assets		
Present value of obligation at the end of the year	81.52	80.69
Fair value of plan assets at the end of the year	60.46	54.51
Liabilities/ (Assets) recognised in the Balance Sheet	21.06	26.18

- iii Para 132 of AS-15 (Revised 2005) does not require any specific disclosure except where expenses resulting from compensated absence is of such size, nature or incidence that disclosure is relevant under Accounting Standard 5 or Accounting Standard 18 and accordingly the expenses resulting from compensated absence is not significant and hence no disclosures are given under various paragraphs of AS-15.

iv Expenses recognised in the profit and loss account (₹ in Lacs)

Particulars	March 31, 2012	March 31, 2011
Current service cost	12.14	12.48
Past Service Cost	-	-
Interest cost on benefit obligation	6.49	4.70
Expected Return on Plan Assets	(4.60)	(2.10)
Net actuarial (gain) / loss recognised in the year	(11.46)	7.62
Expenses recognised in the profit and loss account	2.57	22.70

Notes to the financial statements for the year ended 31st March, 2012

- v The principal assumptions used in determining gratuity and leave encashment for the Company's plans are shown below: (₹ in Lacs)

Particulars	March 31, 2012	March 31, 2011
Discount Rate	8.00%	8.30%
Expected Rate of return on Asset	8.00%	8.00%
Future Salary Escalation Rate	5.00%	7.00%
Mortality Rate	22.93	25.17

*The estimates of future salary increases considered in actuarial valuation, take account of inflation, seniority, promotion and other relevant factors, such as supply and demand in the employment market.

35. PARTICULARS OF FORWARD CONTRACT OUTSTANDING AND UN-HEDGED FOREIGN CURRENCIES EXPOSURE: (₹ in Lacs)

Particulars		2011-12	2010-11
i) Forward Contract outstanding			
Foreign Currency Loan	USD	8,750,000	10,000,000
	₹	4,091	4,675
Buyers Credit	USD	6,780,486	-
	₹	3,451	-
Packing Credit	USD	5,500,000	-
	₹	2,814	-
ii) The Company also uses derivative contracts other than forward contracts to hedge the interest rate and currency risk on its capital account. Such transactions are governed by the strategy approved by the Board of Directors which provides principles on the use of these instruments, consistent with the Company's Risk Management Policy. The Company does not use these contracts for speculative purposes. Outstanding derivative contract for Interest Rate and Currency Swaps	USD	8,750,000	10,000,000
	₹	4,091	4,675
iii) Un-hedged Foreign Currency Exposure	USD	1,763,426	2,639,066
a) Trade payables	₹	902	1,178
	EURO	82,083	10,243
	₹	56	6
	AED	2,661,516	1,855,656
	₹	376	225
	CHF	29,115	-
	₹	17	-
b) Trade receivables	USD	3,694,145	3,408,893
	₹	1,890	1,522
	EURO	288,187	-
	₹	197	-
	AED	-	100,553
	₹	-	12

Notes to the financial statements for the year ended 31st March, 2012

36. SEGMENT REPORTING

- i **Primary Segment (Business Segment):** The Company operates in a single reportable segment (i.e. Manufacturing and sale of PVC and XLPE compound, which have similar risk and returns for the purpose of AS 17 on 'Segment Reporting' issued by ICAI).

- ii **Secondary segment (by Geographical demarcation):** (₹ in Lacs)

Particulars	March 31, 2012	March 31, 2011
Segment Revenue		
Domestic	78,949.15	78,049.55
Overseas	12,089.87	6,256.93
Segment Assets		
Trade Receivables		
Domestic	19,667.02	15,849.15
Overseas	1,908.04	1,408.66

Note: The Company has common assets for producing goods for domestic market and overseas markets. Hence, separate figures for other assets / additions to other assets has not been furnished.

37. RELATED PARTY DISCLOSURES

As per Accounting Standard 18 on related party disclosure issued by the Institute of Chartered Accountants of India, the transaction with related parties of the company are as follows.

- i Related Parties with whom the company had transactions during the year

Key Management Personnel : Mr. Narrindra Suranna, Mr. Indranil Dasgupta, Mr. Rajesh Kothari

Relatives of Key Management Personnel : Mrs. Tara Devi Surana, Mrs. Sarla Devi Surana, Mr. Dalam Chand Surana, Mr. Surendra Kumar Surana, Mr. Dev Krishna Surana

A Shareholder holding more than 20% of Equity Shares of the Company : Shriram Financial Consultants Pvt. Ltd

- ii Disclosure of transactions between the Company and Related Parties and the status of outstanding balances as on 31st March, 2012 (₹ in Lacs)

		March 31, 2012	March 31, 2011
(A) Key Management Personnel			
Remuneration Paid	Mr. Narrindra Suranna	18.00	14.40
	Mr. Rajesh Kothari	7.65	-
Dividend Paid	Mr. Narrindra Suranna	0.01	0.01
Outstanding as at the year end		-	-
(B) Relatives of Key Management Personnel			
Dividend Paid	Mrs. Tara Devi Surana	0.00*	0.00
	Mrs. Sarla Devi Surana	0.00*	0.00
	Mr. Dalam Chand Surana	0.33	0.33
	Mr. Surendra Kumar Surana	0.02	0.02
	Mr. Dev Krishna Surana	3.01	0.00
(C) A Shareholder holding more than 20% of Equity Shares of the Company			
Dividend Paid	Shriram Financial Consultants Pvt. Ltd	197.05	197.05

* The amount is below the roundoff norms as adopted by the Company.

Notes to the financial statements for the year ended 31st March, 2012

38. The provision for Income Tax has been made U/s 115JB of Income Tax Act.
39. The financial statements for the year ended 31st March, 2011 had been prepared as per the then applicable, pre-revised Schedule VI to the Companies Act, 1956. Consequent to the notification of Revised Schedule VI under the Companies Act, 1956, the financial statements for the year ended 31st March, 2012 are prepared as per Revised Schedule VI. Accordingly, the previous year figures have also been reclassified/ regrouped to conform to this year's classification. The adoption of Revised Schedule VI for previous year figures does not impact recognition and measurement principles followed for preparation of financial statements.

For **D. C. Dharewa & Co.**
Chartered Accountants
Firm Registration No:322617E

D. C. Dharewa
Proprietor
Membership No.53838
Date : 24th August, 2012
Place : Kolkata

For and on behalf of Board of Directors
Narrindra Suranna
Chairman and Managing Director

Rajesh Kumar Kothari **Indranil Dasgupta**
Whole Time Director Whole Time Director

A. B. Chakrabartty
Company Secretary

BOOK POST



IF undelivered, please return to :

KALPENA INDUSTRIES LIMITED

2B, Pretoria Street, Kolkata - 700 071

Tel : +91-33-2282 3744 /45/3671/99, Fax : +91-33-2282 3739

E-mail : kolkata@kalpena.co.in

www.kalpenagroup.com